The Ontario Securities Commission

OSC Bulletin

October 15, 2010

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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)

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October 15, 2010

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

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Ontario Securities Commission
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Paulette L. Kennedy	—	PLK
Patrick J. LeSage	—	PJL
Carol S. Perry	—	CSP
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

October 18, 2010 10:00 a.m.	**Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)** s. 127 T. Center in attendance for Staff Panel: JDC
October 18-19, 25 & 27-29, 2010 November 1-3, 2010 December 1-3 & 8-17, 2010 10:00 a.m.	**Coventree Inc., Geoffrey Cornish and Dean Tai** s. 127 J. Waechter in attendance for Staff Panel: JEAT/MGC/PLK
October 21, 2010 10:00 a.m.	**Ciccone Group, Medra Corporation, 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vince Ciccone, Darryl Brubacher, Andrew J. Martin., Steve Haney, Klaudiusz Malinowski and Ben Giangrosso** s. 127 P. Foy in attendance for Staff Panel: JDC
October 21, 2010 12:00 p.m.	**Lehman Brothers & Associates Corp., Greg Marks, Michael Lehman (a.k.a. Mike Laymen), Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: JDC
October 22, 2010 10:00 a.m.	**Chartcandle Investments Corporation, CCI Financial, LLC, Chartcandle Inc., PSST Global Corporation, Stephen Michael Chesnowitz and Charles Pauly** s. 127 and 127.1 S. Horgan in attendance for Staff Panel: JDC/PJL

October 25, 2010

10:00 a.m.

Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver, David Rutledge, 6845941 Canada Inc. carrying on business as Anesis Investments, Steven M. Taylor, Berkshire Management Services Inc. carrying on business as International Communication Strategies, 1303066 Ontario Ltd. carrying on business as ACG Graphic Communications, Montecassino Management Corporation, Reynold Mainse, World Class Communications Inc. and Ronald Mainse

s. 127

Y. Chisholm in attendance for Staff

Panel: JDC

October 27, 2010

1:00 p.m.

Shaun Gerard McErlean, Securus Capital Inc., and Acquiesce Investments

s. 127

M. Britton in attendance for Staff

Panel: MGC

November 4, 2010

11:00 a.m.

Lehman Cohort Global Group Inc., Anton Schnedl, Richard Unzer, Alexander Grundmann and Henry Hehlsinger

s. 127

H. Craig in attendance for Staff

Panel: JEAT/CSP/SA

November 8, 2010

10:00 a.m.

Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff

s. 127

H. Craig in attendance for Staff

Panel: TBA

November 8, 2010

10:00 a.m.

Global Energy Group, Ltd. and New Gold Limited Partnerships

s. 127

H. Craig in attendance for Staff

Panel: TBA

November 8, November 10-19, 2010

10:00 a.m.

New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price

s. 127

M. Britton in attendance for Staff

Panel: TBA

November 12, 2010

10:00 a.m.

Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony

s. 127 and 127.1

J. Feasby in attendance for Staff

Panel: MGC/MCH

November 15-17, November 24-December 2, 2010

10:00 a.m.

Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)

s. 127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

November 18, 2010

10:00 a.m.

QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky

s. 127

H. Craig in attendance for Staff

Panel: TBA

November 22, 2010

10:00 a.m.

Georges Benarroch, Linda Kent, Marjorie Ann Glover and Credifinance Securities Limited

s. 21.7

A. Heydon in attendance for Staff

Panel: JDC/CSP

November 29, 2010 9:30 a.m.	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 & 127.1 H. Craig in attendance for Staff Panel: MGC
November 29, 2010 10:00 a.m.	**Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya** s. 127 C. Price in attendance for Staff Panel: JEAT
November 29, 2010 10:00 a.m.	**Abel Da Silva** s. 127 M. Boswell in attendance for Staff Panel: JDC
November 30, 2010 2:30 p.m.	**Locate Technologies Inc., Tubtron Controls Corp., Bradley Corporate Services Ltd., 706166 Alberta Ltd., Lorne Drever, Harry Niles, Michael Cody and Donald Nason** s. 127 A. Heydon in attendance for Staff Panel: JDC
December 2, 2010 9:30 a.m.	**Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, Pasquale Schiavone, and Shafi Khan** s. 127(7) and 127(8) H. Craig in attendance for Staff Panel: TBA
December 6, 8-10, 2010 10:00 a.m.	**Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork** s. 127 T. Center in attendance for Staff Panel: JDC/CSP
December 7, 2010 2:00 p.m.	**Mega–C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 M. Britton/J.Feasby in attendance for Staff Panel: JDC/KJK
December 15-16, 2010 10:00 a.m.	**Questrade Inc.** s. 21.7 A. Heydon in attendance for Staff Panel: JDC/CSP
January 10, 12-21 & 24, 2011 10:00 a.m.	**Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions** s. 127 and 127.1 H. Daley in attendance for Staff Panel: TBA
January 10, 12-21, January 26-February 1, 2011 10:00 a.m.	**Maple Leaf Investment Fund Corp., Joe Henry Chau (aka: Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow), Tulsiani Investments Inc., Sunil Tulsiani and Ravinder Tulsiani** s. 127 A. Perschy/C. Rossi in attendance for Staff Panel: TBA

January 17-21, 2011 10:00 a.m.	**Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin** s. 127 H. Craig in attendance for Staff Panel: TBA
January 26, 2011 10:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Chris Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc. and Sylvan Blackett** s. 127(1) & (5) A. Heydon in attendance for Staff Panel: CSP
January 31-February 7, February 9-18, February 23, 2011 10:00 a.m.	**Anthony Ianno and Saverio Manzo** s. 127 & 127.1 A. Clark in attendance for Staff Panel: TBA
January 31, February 1-7 & 9-11, 2011 10:00 a.m.	**Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk** s. 37, 127 and 127.1 C. Price in attendance for Staff Panel: TBA
February 11, 2011 10:00 a.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) M. Boswell in attendance for Staff Panel: TBA
February 14-18, February 23-28, March 7, March 9-11, March 28-31, 2011 10:00 a.m.	**Agoracom Investor Relations Corp., Agora International Enterprises Corp., George Tsiolis and Apostolis Kondakos (a.k.a. Paul Kondakos)** s. 127 T. Center in attendance for Staff Panel: TBA
February 14-18, February 23-March 1, 2011	**Nelson Financial Group Ltd., Nelson Investment Group Ltd., Marc D. Boutet, Stephanie Lockman Sobol, Paul Manuel Torres, H.W. Peter Knoll** s. 127 P. Foy in attendance for Staff Panel: TBA
February 25, 2011 10:00 a.m.	**Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, and Danny De Melo** s. 127 A. Clark in attendance for Staff Panel: TBA
March 1-7, 9-11, 21 & 23-31, 2011 10:00 a.m.	**Paul Donald** s. 127 C. Price in attendance for Staff Panel: TBA
March 7, 2011 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 H. Craig in attendance for Staff Panel: TBA
March 30, 2011 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 M. Britton in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA

TBA

Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell

s. 127

J. Waechter in attendance for Staff

Panel: TBA

TBA

Frank Dunn, Douglas Beatty, Michael Gollogly

s. 127

K. Daniels in attendance for Staff

Panel: TBA

TBA

Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling

s. 127(1) and 127.1

J. Superina, A. Clark in attendance for Staff

Panel: TBA

TBA

Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA

FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA

MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric

s. 127 & 127(1)

D. Ferris in attendance for Staff

Panel: TBA

TBA

Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson

s. 127(1) and 127(5)

M. Boswell in attendance for Staff

Panel: TBA

TBA

Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance

s. 127

C. Johnson in attendance for Staff

Panel: TBA

TBA

Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky

s. 127 and 127.1

Y. Chisholm in attendance for Staff

Panel: TBA

TBA

Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmoney, Harmoney Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie**

s. 127(1) & (5)

J. Feasby in attendance for Staff

Panel: TBA

TBA **M P Global Financial Ltd., and Joe Feng Deng**

s. 127 (1)

M. Britton in attendance for Staff

Panel: TBA

TBA **Peter Robinson and Platinum International Investments Inc.**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC**

s. 127

J. Feasby in attendance for Staff

Panel: TBA

TBA **Shane Suman and Monie Rahman**

s. 127 & 127(1)

C. Price in attendance for Staff

Panel: JEAT/PLK

TBA **Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan**

s. 127

H. Craig in attendance for Staff

Panel: JEAT/CSP/SA

TBA **Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff**

s. 37, 127 and 127.1

H. Craig in attendance for Staff

Panel: TBA

TBA **York Rio Resources Inc., Brilliante Brasilcan Resources Corp., Victor York, Robert Runic, George Schwartz, Peter Robinson, Adam Sherman, Ryan Demchuk, Matthew Oliver, Gordon Valde and Scott Bassingdale**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **TBS New Media Ltd., TBS New Media PLC, CNF Food Corp., CNF Candy Corp., Ari Jonathan Firestone and Mark Green**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Sulja Bros. Building Supplies, Ltd., Petar Vucicevich, Kore International Management Inc., Andrew Devries, Steven Sulja, Pranab Shah, Tracey Banumas and Sam Sulja**

s. 127 & 127.1

J. Feasby in attendance for Staff

Panel: PJL/SA

TBA **Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Ameron Oil and Gas Ltd. and MX-IV, Ltd.**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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

Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

LandBankers International MX, S.A. De C.V.; Sierra Madre Holdings MX, S.A. De C.V.; L&B LandBanking Trust S.A. De C.V.; Brian J. Wolf Zacarias; Roger Fernando Ayuso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

1.1.2 Notice of Consultation on Proposed Changes to Regulation 90 under the Commodity Futures Act

The Ontario government is consulting on proposed changes to Regulation 90 under the *Commodity Futures Act*, related in part to the implementation of International Financial Reporting Standards (IFRS).

The Ontario Ministry of Finance (MOF) has posted, for a 45-day consultation period, on the Ontario Regulatory Registry a description of changes that MOF staff plan to propose to update accounting terms in Regulation 90 so they are consistent with IFRS terminology. A number of packages of similar proposed terminology changes were delivered to the Minister of Finance for his approval on September 29, 2010. The proposed changes to Regulation 90 also include the repeal of other parts of Regulation 90 on the basis that they are not necessary.

The consultation period on the proposed changes to Regulation 90 ends on November 19, 2010. In order to participate in these consultations, stakeholders should follow the procedure set out on the Ontario Regulatory Registry (which can be found at: www.ontariocanada.com/registry).

Any amendments to Regulation 90 will become law only if they are approved by the Lieutenant Governor in Council.

1.1.3 CSA Proposed Amendments to National Instrument 31-103 Registration Requirements and Exemptions – Registration of international and certain domestic investment fund managers

The Canadian Securities Administrators (the **CSA**) are today publishing a notice and request for comments (the CSA Notice) on proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) and Companion Policy 31-103 CP *Registration Requirements and Exemptions* (the Companion Policy) relating to the registration of international and certain domestic investment fund managers. The CSA Notice and proposed amendments can be found in Chapter 6 of this bulletin.

Chapter 6 also contains an additional request for comment by the Ontario Securities Commission and Autorité des marchés financiers in a separate CSA Notice 31-320.

1.1.4 OSC Staff Notice 33-734 – 2010 Compliance and Registrant Regulation Branch Annual Report

OSC Staff Notice 33-734 – *2010 Compliance and Registrant Regulation Branch Annual Report* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

ONTARIO SECURITIES COMMISSION

OSC Staff Notice 33-734

2010

Compliance and Registrant Regulation Branch Annual Report

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Introduction

OSC ONTARIO SECURITIES COMMISSION

Introduction

This report is a summary of the Compliance and Registrant Regulation (CRR) Branch's key activities and initiatives for the 2010 fiscal year (April 1, 2009 to March 31, 2010). The CRR Branch's mission is to protect investors by registering and overseeing approximately 1,400 firms and 65,000 individuals in Ontario that trade or advise in securities or commodity futures, or act as an investment fund manager. This includes direct oversight of firms and individuals registered in the categories of portfolio manager, investment fund manager, commodity trading manager, exempt market dealer and scholarship plan dealer. We also register firms and individuals in the category of mutual fund dealer and firms in the category of investment dealer that are directly overseen by their self-regulatory organizations, the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC), respectively.

In previous years, the Compliance team of the CRR Branch published annual reports that summarized the findings from compliance oversight reviews of registrants, together with our suggested practices. This year's report continues this, but also covers our branch's other activities such as:

- the introduction of the new registration regime
- the reorganization of our branch in March 2010, and
- the common deficiencies found in our reviews of registration applications and actions to address them.

This report is primarily targeted to registered firms and individuals, and people that support them such as their legal counsel and compliance consultants. We encourage existing and potential registrants to use this report to improve their understanding of:

- their initial and on-going registration and compliance requirements
- our expectations of registrants and our interpretations of regulatory requirements, and
- new and proposed rules and other regulatory initiatives.

This report can also serve as a self-assessment tool to strengthen registrants' compliance with Ontario securities law, and to improve their systems of internal controls and supervision.[1]

[1] The content of this report is provided as guidance for information purposes and not as advice. We recommend that you seek advice from a qualified professional adviser before acting on any information in this report, or on any web site to which this report is linked.

1. Registration reform

1. Registration reform

1.1 New registration regime

After years of work, we developed and implemented a new registration regime that came into force on September 28, 2009. We developed the new regime with other members of the Canadian Securities Administrators (CSA), with an objective to harmonize, streamline and modernize the registration requirements across Canada. In Ontario, these reforms were introduced through National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) and amendments to the *Securities Act* (Ontario) and to related rules. These reforms replaced a patchwork of rules across Canada that imposed different requirements in each jurisdiction, and are intended to strike an appropriate balance between providing an efficient system for registrants and protecting investors.

The reforms introduce new requirements for the registration of individuals and firms, along with new on-going requirements for their business operations and client relationships.

Key changes to the requirements for individual and firm registration include:

- requiring firms and individuals to register as a dealer when they are in the business of trading in securities (which is a business trigger) instead of when they trade in a security (which is a trade trigger)
- the introduction of the investment fund manager category of registration for firms that direct the business, operations and affairs of investment funds
- the introduction of the exempt market dealer category of registration, which replaces the former limited market dealer category and adds more robust requirements (including new proficiency, working capital and insurance requirements), and
- the introduction of registration requirements for chief compliance officers and ultimate designated persons for all registered firms.

Key changes to the on-going requirements for the business operations and client relationships of registered firms include:

- more robust and risk-based working capital and insurance requirements
- a requirement to identify and respond to conflicts of interest
- a requirement to fairly and effectively deal with client complaints, and
- new requirements for referral arrangements, including written disclosure to clients.

Changes were also made to the National Registration Database to convert firms and individuals that were already registered to their new categories of registration. We also updated our compliance oversight programs to reflect the new requirements.

Since we've harmonized on-going requirements for registrants, it is important to continue to harmonize our registrant oversight. We are working with other members of the CSA to harmonize the compliance oversight programs for registrants across Canada.

To help make market participants aware of the new requirements, we have

- responded to questions from stakeholders (together with the OSC's Inquiries and Contact Centre)
- published responses to frequently asked questions (FAQs) on NI 31-103 (see CSA Staff Notices 31-313 and 31-314)
- issued relief orders to deal with some transitional issues (see CSA Staff Notice 31-315), and
- communicated changes to the industry through speaking engagements and e-mail blasts to registrants.

We will continue to keep our stakeholders informed of key developments.

On June 25, 2010, the CSA published for comment a package of proposed amendments to NI 31-103. If the amendments are implemented in their current form, they would primarily address practical issues identified during the implementation stage. They would also:

- expand the circumstances in which registered firms are required to ensure that independent dispute resolution or mediation services are made available to their clients to resolve complaints to include, for example, cases of misrepresentation, theft, fraud, misappropriation or forgery
- codify, as part of the proficiency requirements, an obligation for registered individuals to understand the structure, features and risks of each security they recommend (referred to as "know your product")
- address the impact of the coming introduction of International Financial Reporting Standards on the valuation of securities, such as for account reporting to clients, and
- obligate investment fund managers to deliver trade confirmations and account statements to investors who deal with them directly, rather than through a dealer.

The CSA also requested feedback to questions on potentially amending NI 31-103 to require periodic account statements to include reporting of client name securities. For more information, see Notice of and Request for Comment on Proposed Amendments to NI 31-103.

1.2 Reorganization of CRR Branch

This section describes the changes we made to our branch to better serve our stakeholders under the new registration regime.

The new registration regime introduced a significant number of new on-going requirements, many of which are principles-based. To deal with these changes, and to improve the effectiveness and efficiency of our branch and ultimately improve investor protection, we reorganized the branch effective March 2010.

Former branch structure

Previously, our branch was organized into three groups:

- the registration group, which consisted of registration officers who reviewed and processed firm and individual registration applications
- the compliance group, which primarily consisted of accountants who performed oversight reviews of registrants to assess compliance with regulatory requirements, and
- the registrant legal services group, which consisted of lawyers who developed policy affecting registrants and handled exemptions from registration requirements.

New branch structure

As part of the reorganization, the previous groups were replaced with three integrated teams of lawyers, registration officers, and accountants. Each team focuses on registration, oversight, policy changes, and exemption applications for a particular category of registrant. One team focuses on portfolio managers, the second on investment fund managers, and the third on dealers (including exempt market dealers and scholarship plan dealers). Each team has developed depth of knowledge of their particular registration category and can draw on the experience of team members trained in different disciplines.

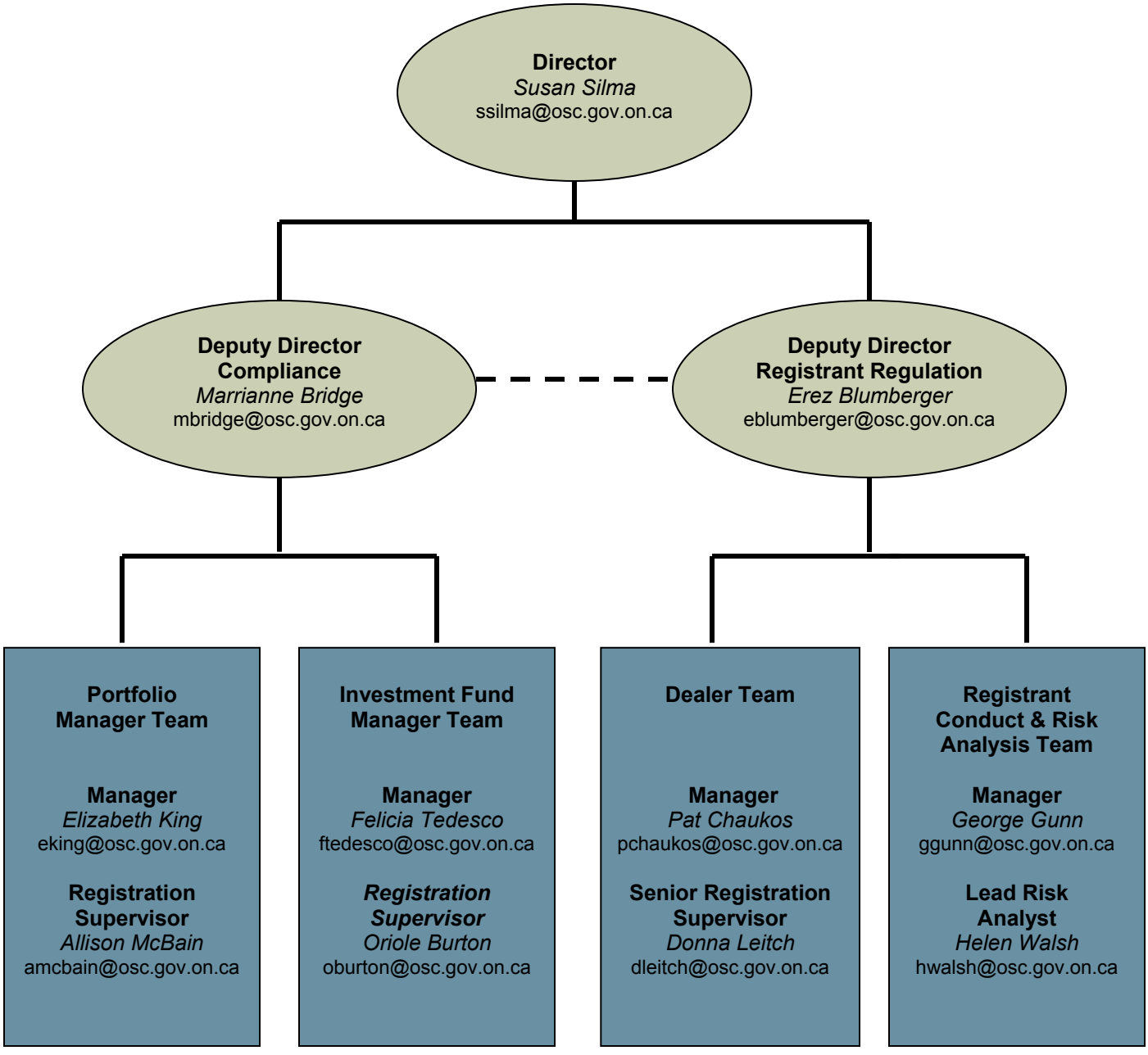
A fourth team was created to focus on registrant conduct and risk analysis. This team supports the other three teams in cases of potential registrant misconduct and on risk assessment matters. For example, it handles opportunity to be heard hearings before the Director, and is involved in suspensions of registration, applying terms and conditions on registration and referrals of certain suspected registrant misconduct to the Enforcement Branch. This team will also lead in the development of a risk-based approach for assessing applications for initial registration.

It is anticipated that the reorganization will further enhance our ability to:

- protect investors

- promote high standards of registrant conduct
- treat registrants fairly and consistently
- understand the products and business of registrants and the issues they face
- use risk-based approaches to pursue the higher-risk issues, and
- be proactive and strive for practical, timely and valued added outcomes.

1.3 New CRR Branch organization chart



See Appendix for the organization charts for each of the CRR Branch's teams.

2. Information for new applicants for registration

OSC ONTARIO SECURITIES COMMISSION

2. Information for new applicants for registration

2.1 Applying for registration

This section provides information for firms and individuals applying for registration for the first time.

The CRR Branch reviews firm and individual applications for registration as an adviser, dealer or investment fund manager under securities law and commodity futures law in Ontario. Firms and individuals must complete prescribed forms to register. For example, Form 33-109F6 *Firm Registration* and Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* must be completed by firms and individuals applying for registration under the *Securities Act.* For more information about the registration process, see the Information for Dealers, Advisers and Investment Fund Managers section of the OSC's website.

An applicant may apply for registration in more than one province or territory as part of its application. If the OSC is the principal regulator, the application is processed under the passport system. We conduct a review of the application and our decision will be effective in the other jurisdictions. If the OSC is not the principal regulator, the application is processed under the interface system. Generally, this means that the applicant only deals with the principal regulator who reviews the application. We decide whether to opt in (with or without local terms and conditions) or opt out of the principal regulator's decision. If we are unable to resolve opt out issues, the applicant will need to deal with us directly to resolve them. For more information about registering in more than one jurisdiction, see National Policy 11-204 *Process for Registration in Multiple Jurisdictions*.

2.2 Risk-based approach to registration reviews

We intend to rate an applicant's risk of not meeting registration requirements by establishing a risk model that will allow us to focus more attention on higher risk applicants. We plan to develop a risk assessment process for reviewing both firm and individual registration applications. In the short term, we will be focusing our attention on investment fund manager registration applications (which were due by September 28, 2010). A risk assessment process for other registration categories will be developed in the longer term. Our risk model may include the following criteria:

- previous sanctions or warning letters issued to an applicant
- if the applicant is the subject of an investigation
- criminal record
- solvency, and
- firm record.

Other factors may also impact our risk assessment.

2.3 Common deficiencies from registration applications

Sometimes, the registration review process is longer because the information provided to us in a registration application form is incomplete or lacks sufficient detail for us to adequately assess the information. To address this, we created a list of the most common deficiencies from our reviews of individual and firm registration applications. To address each deficiency, we provide actions to be taken by applicants when completing their registration applications. To expedite the application and review process, we encourage applicants for registration to review these common deficiencies and to follow the provided actions before submitting their registration applications to us.

The deficiencies and actions to be taken are listed in the same order as the information is requested on the applicable registration application forms. References to item numbers and schedules are to specific sections of the firm or individual registration application forms.

Firm applications - Form 33-109F6

Deficiency noted	Action to be taken
The firm's National Registration Database (NRD) number is not provided. (Item 1.2)	Include the firm's NRD number. To obtain an NRD number, firms must enroll on NRD. For more information, visit www.nrd-info.ca
Agent and address for service information is not completed, when applicable. (Item 2.4/Schedule B)	Include the agent's name, full address and contact details (telephone, fax number and e-mail address) when the firm does not have an office in a jurisdiction of Canada where it is seeking registration.
Insufficient information is provided regarding the firm's proposed business activities. (Item 3.1)	Provide detailed information about the firm's proposed activities, target market, and products and services to be offered. Section 26 of the *Securities Act* should be kept in mind when completing this item.
The firm's business registration number(s) is not provided, when applicable. (Item 3.9)	Provide the firm's business registration number(s) for each jurisdiction of Canada where the firm is seeking registration, when a business registration number is required under the local laws of the jurisdiction.
The firm's ownership chart is incomplete or does not provide the requested information. (Item 3.12)	Include a complete ownership chart that includes the owner's name(s), and the class, type, amount and voting percentage of ownership of the firm's securities.
The firm's subordination agreement(s) is not provided, when applicable. (Item 5.1/Line 5 of Schedule C)	Provide a copy of all subordination agreements (in the form set out in Appendix B to NI 31-103) that the firm has executed with its lenders to exclude an amount from its long-term related party debt as calculated on Form 31-103F1 *Calculation of Excess Working Capital*.
Bonding or insurance details are incomplete. (Item 5.5)	Include all requested bonding or insurance details, including name of insurer, policy number, coverage details, amount of deductible, and renewal date. We will accept a binder of insurance with the initial application. Confirmation that the insurance is in effect must be provided prior to registration being granted.

Individual applications – Form 33-109F4

Deficiency noted	Action to be taken
Proficiency information is not provided or updated. (Item 8)	Include information on all required and otherwise relevant courses and examinations, along with student numbers where requested.
Incomplete information is provided on current employment, other business activities, and officer and director positions held. For example, some activities are missing or the description of the activities is missing or inadequate. (Item 10, Schedule G) Also, activities outside of the sponsoring firm are not approved by the sponsoring firm, and the potential conflicts of interest from these outside activities is not addressed by the sponsoring firm.	Individuals must provide information on all current employment and other business activities for which they receive compensation, as well as any officer or director positions held (whether or not compensation is received). This includes, for example, positions as directors of charitable organizations. Individuals should provide a detailed description of their duties for each activity. This helps us to assess if any of these activities (especially those that are securities related) are a conflict of interest with the individual's activities as a registrant. The sponsoring firm must approve activities outside of the sponsoring firm, and potential conflicts of interest must be addressed. See section 13.4 of the Companion Policy to NI 31-103 for guidance on conflicts of interest.
Incomplete information is provided for: • resignations and terminations • regulatory disclosure • criminal disclosure • civil disclosure, and • financial disclosure. (Items 12 to 16 inclusive)	It is the responsibility of the firm to conduct its own due diligence on an individual it intends to sponsor. Firms should ensure that resignations and terminations, and regulatory, criminal, civil and financial disclosure are complete and accurate. Incomplete or misleading information may lead to the individual's registration being delayed or refused or to other regulatory action.
Information on the ownership of securities and derivatives firms is missing or incomplete. (Item 17)	Information on the ownership of any securities or derivatives firms should be provided and be complete and accurate.

Other common deficiencies applicable to both firm and individual applications

Deficiency noted	Action to be taken
Updating the Form 33-109F6 (F6) and Form 33-109F4 (F4): Changes to the information previously filed on these forms are often not made within deadlines prescribed under securities law.	Use Form 33-109F5 (F5) to update changes in information on the F6 and F4. The F5 must generally be filed within seven days of most changes to the information provided in the forms. National Instrument 33-109 *Registration Information* outlines the changes that require notification to the regulator and the filing deadlines. Making these filings on time will prevent the firm being assessed a late fee of $100 per business day, as well as, in some cases, the imposition of terms and conditions.
Exemption applications: Applications for exemption from the proficiency requirements are received without sufficient detail to determine if exemptive relief is appropriate.	Provide complete and relevant details on the nature of the relief sought, and the reasons why the relief should be granted. For example, explain how the applicant's education or experience is equivalent to the education or experience requirements under securities law. Exemption applications should be provided with, or shortly following, the submission of an application for registration. If this is not done, the application for registration may be delayed.
Trade names: We are often not properly notified of the use of trade names. Trade names are registered to, and used by, (a) one or more representatives, or (b) a firm. We often incorrectly receive an F5 from a firm requesting that an individual's trade name be added as the firm's trade name.	If one or more representatives are using a trade name, this information must be added under Item 1(3) of each individual's F4. If a firm is using a firm-wide trade name, this information must be added by filing an F5. All trade names must be registered, where required, under the business names legislation that applies to the firm (for example, the *Business Names Act* (Ontario)).
Certification: Required forms are often certified as true and complete, when some applicable questions are not completed, or supporting documents are not included.	Ensure that all required documents and attachments are submitted and questions are answered with an appropriate level of detail before certifying the information in the form. Incomplete applications will not be treated as filed and will not be added to the queue for review.

3. Information for advisers, investment fund managers and dealers

3.1 All registrants
- A. Compliance review process and its outcomes
- B. New and proposed rules and initiatives impacting all registrants

3.2 Portfolio managers
- A. Trends in deficiencies from compliance reviews and suggested practices
- B. Deficiencies from focused reviews of large portfolio managers and suggested practices
- C. Deficiencies from compliance reviews of newly registered portfolio managers and suggested practices
- D. Sweep of marketing practices in 2010
- E. New and proposed rules impacting portfolio managers

3.3 Investment fund managers
- A. Deficiencies from compliance reviews of investment fund managers and suggested practices
- B. Focused reviews of investment funds in response to market turmoil
- C. Registration of non-resident investment fund managers

3.4 Exempt market dealers
- A. Risk assessment questionnaire for exempt market dealers
- B. Deficiencies from compliance reviews of exempt market dealers and suggested practices

3. Information for advisers, investment fund managers and dealers

The information in this section includes the key findings from our normal course reviews of all registrants[2] we regulate, and also our focused reviews (sweep) of investment fund managers conducted as a result of the market turmoil, our sweep of large portfolio managers, and our sweep of newly registered portfolio managers. We highlight deficiencies from our oversight reviews of registrants and provide suggested practices to address the deficiencies. The suggested practices are intended to give guidance to registrants to help them comply with their regulatory obligations, as they provide our interpretations of the legal requirements and our expectations of registrants. We also discuss new or proposed rules and initiatives impacting registrants.

This part of the report is divided into four main sections. The first section contains general information that is relevant for all registrants. The other three sections contain information and trends specific to portfolio managers, investment fund managers and exempt market dealers, respectively. We recommend that registrants review all sections in this part, as some of the deficiencies noted in the past year for one type of registrant could be relevant in future years to other registrants.

3.1 All registrants

This section includes a general discussion of our compliance review process and its outcomes. It also includes new or proposed rules and initiatives impacting registrants.

A. Compliance review process and its outcomes

On an on-going basis, the CRR Branch conducts compliance reviews of selected registered firms using a risk-based approach. However, we occasionally select firms for review on a random basis, for example, to help us evaluate the effectiveness of our risk-based approach. We usually conduct compliance reviews on-site at a registrant's premises, but may also perform reviews from our offices (known as desk reviews). Most reviews are routine in nature, but we also perform reviews on a for-cause basis where we are aware of a potential compliance issue, for example, from a referral or complaint. We also conduct sweeps, which are reviews of a sample of registered firms on a specific topic or industry sector over a short period of time. Sweeps allow us to respond quickly to industry-wide concerns or issues, such as the recent market turmoil.

[2] In this report, registrants includes investment fund managers as the new registration regime requires these firms to register, subject to transition provisions.

The purpose of compliance reviews is to assess compliance with securities laws. Any deficiencies noted are raised with the registered firm we reviewed so that appropriate corrective action is taken. During our compliance reviews, we also stay alert to any signs of potential fraud, and will take appropriate steps if we identify these signs.

We monitor the outcomes from our reviews of registrants to assess overall compliance and to identify areas of focus for future reviews. Compliance reviews often lead to enhanced compliance at registrants, but may also result in regulatory actions such as terms and conditions being imposed on a registrant's registration, or referrals to our Enforcement Branch. Also, as part of the new registration regime, amendments were made to the *Securities Act* that provide the Director with the power to revoke or suspend a registrant's registration.[3] The four outcomes of our compliance reviews in fiscal 2010, with comparables for 2009, are presented in the following table, and are listed in their increasing order of seriousness. The percentages in the table are based on the registered firms we reviewed during the year, and not the population of registered firms.

Outcomes of compliance reviews (all registration categories)[4]	Fiscal 2010	Fiscal 2009
Enhanced compliance	37%	60%
Significantly enhanced compliance[5]	50%	32%
Terms and conditions on registration	3%	4%
Referral to the Enforcement Branch	10%	4%

Each of the outcomes is explained below. In some cases, there may be more than one outcome from a review. In these cases, the review is counted only under its most serious outcome. We also provide an explanation for the changes in outcomes from last year.

[3] See section 28 of the *Securities Act* (Ontario)
[4] Includes portfolio managers, exempt market dealers (formerly limited market dealers) and investment fund managers (before the new registration regime an investment fund manager was a market participant but not a registrant).
[5] In previous years, we referred to this outcome as >30% significant deficiencies.

- **Enhanced compliance**: At the end of a review, in almost all cases, we issue a report to the registered firm identifying areas of non-compliance that require corrective action. We work with these firms to facilitate the appropriate resolution of these deficiencies. Compliance reviews result in enhanced compliance, as registrants' actions to address the identified deficiencies improve their compliance systems. In fiscal 2010, 37% of reviews resulted in enhanced compliance by the registrant. The decrease from 60% in fiscal 2009 is offset by the increase in the significantly enhanced compliance outcome, as explained below.

- **Significantly enhanced compliance**: Where warranted by the seriousness of the deficiencies identified during a review, in addition to the steps taken in the enhanced compliance outcome, we also increase our monitoring of the registrant. For example, we may conduct a follow-up review of a registrant or require the registrant to provide additional evidence, to assess if they have appropriately addressed the identified deficiencies. The increased monitoring and the registrant's response generally results in significantly enhanced compliance. In fiscal 2010, 50% of field reviews resulted in significantly enhanced compliance. This outcome increased from last year's 32% primarily as a result of us focusing our attention on areas that we considered to be problematic during the recent market turmoil.

- **Terms and conditions on registration**: We may impose terms and conditions on a firm's registration to more closely monitor a registrant's compliance with securities law. We may also impose terms and conditions to require a registered firm to take a specific action or to restrict their business activities. For example, terms and conditions may require the firm to submit information (such as financial statements and capital calculations) to the OSC more frequently, retain a consultant to improve its compliance systems, or prohibit the registrant from opening new client accounts. In fiscal 2010, 3% of field reviews resulted in the imposition of terms and conditions on registration, which is consistent with last year's result of 4%.

- **Referral to the Enforcement Branch**: If we identify a serious breach of securities law, we will discuss our findings with the Enforcement Branch, and together determine an appropriate course of action. In fiscal 2010, 10% of field reviews resulted in referrals to the Enforcement Branch, compared to 4% in fiscal 2009. The increase from the prior year is a result of performing more for-cause reviews, and continued enhancements to our risk-based approach to selecting registered firms for review.

B. New and proposed rules and initiatives impacting all registrants

In addition to the new registration regime, we actively participated with other members of the CSA in the development and implementation of new and proposed rules and other initiatives. We also worked with other OSC branches on policy initiatives that impact registrants. The key rules and initiatives that generally impact all registrants are described below.

"Know your Product" (KYP) obligation

CSA Staff Notice 33-315 *Suitability Obligation and Know Your Product* (CSA Staff Notice 33-315) was published on September 4, 2009. This notice reminds registrants of their requirement to satisfy their suitability obligations to clients, including the duty to fully understand the structure, features and risks of products they recommend to clients. It also provides guidance to registrants on how to meet these obligations. For more information, see CSA Staff Notice 33-315. Proposed amendments to NI 31-103 would codify the KYP obligation as part of the proficiency requirements for registered individuals.

Client Relationship Model (CRM)

Together with the CSA, IIROC and the MFDA, we are continuing to work on improving and harmonizing requirements in a number of areas related to a client's relationship with a registrant. We addressed some elements of the CRM in NI 31-103 by requiring disclosure of relationship information to clients (including disclosure of costs for the operation of their account) and requiring registrants to identify and respond to conflicts of interest.

We have now started phase 2 of CRM, in which we anticipate proposing the introduction of the following additional CRM principles and requirements for registered firms in NI 31-103:

- additional disclosure to clients of all costs associated with the products and services they receive, and
- meaningful reporting to clients on how their investments perform.

Improvements to reporting process on terrorist financing

Working with the CSA, we have improved the process for reporting terrorist financing information by introducing a consolidated reporting form. The reporting requirements apply to registered dealers and advisers, and exempt dealers and advisers who are in the business of dealing in securities or providing portfolio management or investment counselling services in any CSA jurisdiction. The reporting requirements do not apply to investment fund managers unless they are also in the business of trading or advising in securities.

To facilitate reporting and explain the changes, we have published guidance for firms on their monthly reporting and other requirements relating to terrorist financing and *United Nations Act* sanctions on

certain countries. The guidance provides information on the new consolidated reporting form that will be used by each principal regulator, describes the new process for sending the monthly reports by e-mail to the principal regulator, and provides summary information on the relevant laws. For more information, see CSA Staff Notice 31-317 (Revised) *Reporting Obligations Related to Terrorist Financing*.

***International Financial Reporting Standards* (IFRS)**

Canada's public companies and registrants are moving to adopt IFRS for financial reporting. This move reflects an increasing international acceptance of a single, harmonized set of accounting standards. For financial years beginning on or after January 1, 2011, Canadian registered firms will be required to present their financial statements using IFRS. The OSC and the CSA have released regulatory proposals and guidance to assist registrants as they prepare for the changeover. For more information, see Notice of IFRS-Related Amendments to Registration Materials.

Contracts for difference

In October 2009, OSC staff issued OSC Staff Notice 91-702 *Offerings of Contracts for Difference and Foreign Exchange Contracts to Investors in Ontario* (OSC Staff Notice 91-702) to provide general guidance to market participants about offerings of Contracts for Difference (CFDs), foreign exchange (forex) contracts and similar over-the-counter (OTC) derivatives to investors in Ontario. The notice also highlights our investor protection concerns, particularly when these products are offered to retail investors by unregistered, offshore entities through the internet.

OSC staff concluded that CFDs are "securities" when they are offered to Ontario investors. As such, in staff's view, engaging in or holding oneself out as engaging in the business of trading or advising in CFDs triggers the dealer and adviser registration requirements under the *Securities Act.* The notice states that since CFDs use margin, the appropriate registration category for a dealer who trades in CFDs is investment dealer (which requires IIROC membership), regardless of whether the trades are made to retail investors or accredited investors. For more information, see OSC Staff Notice 91-702.

Alternative exam providers

Proficiency requirements for registered individuals are prescribed by NI 31-103 and generally include industry experience and completion of specific examinations. As the investment industry changes and new investment products emerge, it is important for us to be flexible in deciding which exams are required for proficiency in the future. As such, we are participants in a CSA committee which will review proposals from exam providers to consider alternatives to the proficiency exams prescribed in NI 31-103. This may allow for the development of specialized courses and exams, instead of generalist ones, and for a wider variety of exam providers.

3.2 Portfolio managers

This section contains information specific to portfolio managers. It includes trends in deficiencies and suggested practices from our normal course compliance reviews of portfolio managers, along with deficiencies and suggested practices from our focused reviews of large portfolio managers and our sweep of newly registered portfolio managers. We also discuss our in-progress sweep on marketing practices and new or proposed rules that will impact portfolio managers.

A. Trends in deficiencies from compliance reviews and suggested practices

This section discusses some new trends in the deficiencies identified from our normal course compliance reviews of portfolio managers, along with suggested practices to prevent their recurrence.

Delegating know your client (KYC) and suitability obligations to other parties

Some portfolio managers enter into referral arrangements with mutual fund dealers and their salespersons, or with financial planners, for the referral of clients to the portfolio manager for a managed account, in return for an on-going referral fee. In some of these cases, the portfolio managers do not meet with their clients to understand their investment needs and objectives, financial circumstances and risk tolerance. Instead, they rely on the mutual fund salesperson or financial planner to perform these duties, assist the client in completing the portfolio manager's managed account agreement, and updating KYC information. This practice is contrary to securities law, as registrants may not delegate their KYC and suitability obligations to other parties. If portfolio managers do not have complete and accurate KYC information for their clients, they cannot adequately perform their suitability obligations.

Portfolio managers are required by sections 13.2 and 13.3 of NI 31-103 to establish the identity of each of their clients and to ensure they have sufficient and current KYC information for each client (including the client's investment needs and objectives, financial circumstances, and risk tolerance) so that they can assess the suitability of each trade made for their clients. Further, mutual fund salespersons and financial planners do not have the proficiency or registration required to perform these activities for a managed account. Referral arrangements must not allow an individual or firm to perform registerable activities unless the individual or firm is appropriately registered.

Suggested practices

A registered portfolio manager should:

- meet with each client to understand their KYC information before managing their portfolio
- explain the firm's investment process and strategy and other relationship information to the client
- assist the client in completing and signing necessary forms and agreements, such as an investment policy statement and managed account agreement
- regularly communicate the investment holdings and performance of the managed account to the client, and
- keep each client's KYC information up-to-date by:
  - immediately contacting the client when they know that their circumstances have changed, and
  - periodically contacting the client (at least annually) to assess if their circumstances have changed.

Also, registered firms should review referral arrangements to ensure that all activity requiring registration is performed by appropriately registered firms and individuals.

Marketing performance returns from a previous firm

We have concerns with portfolio managers who market the performance returns achieved by their advising representatives when they were employed at another firm. This is often done by newly registered portfolio managers with no (or a limited) performance track record of their own.

We have seen cases where portfolio managers were marketing the performance returns from another firm when:

- the advising representative was not responsible for generating the presented returns, or
- the investment strategy at the previous firm was different from that of the new firm.

In our view, it is misleading and not relevant to market the returns from a previous firm in these cases.

Misleading statements are prohibited by section 2.1 of OSC Rule 31-505 *Conditions of Registration* (OSC Rule 31-505) which requires registrants to deal fairly, honestly and in good faith with clients. Also, section 44(2) of the *Securities Act* prohibits making statements to an investor who is deciding to enter into or maintain an advising relationship, if the statement is untrue or omits information necessary to prevent it from being misleading.

However, there are limited cases where, in our view, it may not be misleading to market the performance returns from a previous firm, as explained below.

Suggested practices

Portfolio managers should present the returns of the firm's actual performance composite(s) or investment fund(s) since the firm has been registered.

There are some limited circumstances where it may be relevant and not misleading to market the performance of a previous firm, such as when:

- the key investment decision maker(s) at the previous firm are now employed at the new firm
- the investment strategy at the previous firm is substantially similar to that of the new firm
- the new firm has books and records that adequately support the historical data presented from the previous firm, and
- there is adequate disclosure that the performance presented is from a previous firm, and of any other relevant facts.

Best execution obligations

Some portfolio managers use only one dealer (which is generally the clients' custodian) to execute all of their clients' trades. We are concerned that this practice may result in the portfolio manager not meeting its best execution obligations to its clients. If portfolio managers use one dealer to execute all clients' trades, they need to have adequate support to demonstrate that they are meeting their best execution obligations.

Section 4.2 of National Instrument 23-101 *Trading Rules* (NI 23-101) requires portfolio managers to make reasonable efforts to achieve best execution when acting for a client. Section 4.3 of NI 23-101 states that, to satisfy the above requirement, portfolio managers should make reasonable efforts to use facilities providing information regarding orders and trades.

Best execution is defined in section 1.1 of NI 23-101 as the most advantageous execution terms reasonably available under the circumstances. See Part 4 of the Companion Policy to NI 23-101 for additional guidance on best execution.

Suggested practices

- Maintain and apply written policies and procedures which outline a process designed to achieve best execution
- The policies should describe how the portfolio manager evaluates whether best execution was obtained and should be regularly reviewed
- Consider a number of factors to achieve best execution, including assessing a particular client's requirements or portfolio objectives, selecting appropriate dealers and marketplaces and monitoring the results on a regular basis, and
- Disclose the portfolio manager's trading practices to clients in writing, including selection and use of dealers, especially if only one dealer is used to execute clients' trades.

Risk management

All registered firms, regardless of size, should have adequate risk management processes to mitigate risk and protect firm and client assets. Some portfolio managers do not have an adequate system of controls to identify and manage their firm's key business risks. These include for example, the firm's operational, financial, regulatory and legal risks, and also investment risks in client portfolios. The risk management processes should reflect the firm's size, business activities, and clients' investments.

An example of a business risk is failing to resume services to clients on a timely basis after a business interruption or disaster. This risk can be managed through developing and testing a business continuity plan. An example of an investment risk in client portfolios is foreign currency risk. This risk can be managed through currency hedging.

Internal controls are an important element of a registrant's compliance system. Section 32(2) of the *Securities Act* requires registrants to establish and maintain systems of control and supervision in accordance with the regulations for controlling their activities and supervising their representatives. Section 11.1 of NI 31-103 requires registered firms to establish a system of controls and supervision by establishing, maintaining and applying policies and procedures which are sufficient to provide reasonable assurance of compliance with securities legislation and that manage the firm's business risks in accordance with prudent business practices.

For further guidance on internal controls and risk management, see Part 11 of the Companion Policy to NI 31-103, under the heading "Internal controls."

Suggested practices

All registered firms should:

- appoint a senior individual or committee to be responsible for risk management that reports to senior management or the board of directors
- establish and apply written policies and procedures which demonstrate how the firm identifies and manages or controls the firm's business risks
- on a regular basis, identify, understand, evaluate and monitor the firm's key business risks and how each risk is managed or controlled, and
- document, and periodically review and update, the identified key risks and how each risk is managed or controlled.

B. Deficiencies from focused reviews of large portfolio managers and suggested practices

We conducted reviews of a sample of large portfolio managers (based on client assets under management). We focused on the firms' portfolio management and risk management processes, and on their marketing practices. These reviews were performed to allocate some of our compliance oversight resources on larger firms since a breakdown in their compliance systems may have a significant impact on investors and the capital markets.

The key deficiencies we identified from these focused reviews are discussed in the following table, along with suggested practices (or where to get more information).

Deficiency noted	Suggested practices
Marketing practices. Some firms had marketing materials that included: (a) exaggerated or unsubstantiated claims regarding the firm's products, services or skills (b) improper claims of compliance with the CFA Institute's Global Investment Performance Standards (GIPS) (c) inadequate disclosure when comparing the firm's performance against a benchmark, and (d) improper statements indicating that the OSC had approved the financial standing, fitness or conduct of a registrant.	(a) See OSC Staff Notice 33-729 *Marketing Practices of Investment Counsel/Portfolio Managers* for a discussion and suggested practices on exaggerated and unsubstantiated claims (b) It is misleading to claim compliance with the GIPS standards, such as compliance with the composite calculation methodology, unless all requirements of the GIPS standards are met. Firms should refer to the GIPS standards when making any reference to these standards in marketing materials (c) See OSC Staff Notice 33-729 for a discussion and suggested practices on the use of benchmarks, and (d) Section 46 of the *Securities Act* prohibits representing that the OSC has approved the financial standing, fitness or conduct of a registrant. As a result, registrants should not state, for example, that an OSC compliance review resulted in no material findings.
Risk management. Some firms had inadequate written policies and procedures to demonstrate how they identify and prudently manage their business risks (including investment risks in client portfolios). Although the firms generally had an adequate risk management process, the overall processes followed by the firms were not documented in writing.	Each firm should have written policies and procedures to demonstrate how it identifies and manages its business risks. See section 3.2 of this report for a discussion on risk management and suggested practices.
Know your product. Some firms had inadequate written policies and procedures to demonstrate how they review the structure, features and risks of investment products they purchase for clients (referred to as "know your product"). Although the firms generally had an adequate know your product process, the processes followed were not documented in writing.	Each firm should have written policies and procedures to: • identify investment products which require review • review these products' structure, features and risks, and • assess the suitability of these products for each client. See CSA Staff Notice 33-315 for further guidance on suitability obligations and know your product.

C. Deficiencies from compliance reviews of newly registered portfolio managers and suggested practices

We continued our practice of conducting sweeps of newly registered firms to assess their compliance with Ontario securities law and to provide guidance and information to them on their key regulatory requirements (including NI 31-103). In the fall of 2009, we used a risk-based approach to select a sample of newly registered portfolio managers. We then conducted an on-site review of each selected firm to gain an understanding of its business, products and services, and clients. As part of these reviews, we assessed each firm's portfolio management process, trading practices, compliance systems, marketing practices and financial condition.

The common deficiencies we identified from these reviews are discussed in the following table, along with suggested practices (or where to get more information).

Deficiency noted	Suggested practices
Inadequate marketing practices, including: (a) marketing materials that disclosed exaggerated or unsubstantiated information regarding the firm's products, services or skills (b) inappropriate use of benchmarks (c) improper use of back-tested performance data, and (d) improper marketing of performance returns from a previous firm.	See OSC Staff Notice 33-729 for a discussion and suggested practices on marketing practices, including exaggerated and unsubstantiated claims, benchmarks, and hypothetical performance data (including back-tested performance data). See section 3.2 of this report for a discussion and suggested practices on marketing performance returns from a previous firm.
Inadequate written policies and procedures relating to key business areas such as portfolio management, trading and brokerage, and marketing, or non-compliance with existing written policies and procedures.	See our report titled 10 Most Common Deficiencies Among Portfolio Managers for topics and guidelines that should be included in a standard policies and procedures manual for a portfolio manager. Firms should provide a copy of, and training on, their written policies and procedures to their staff, and monitor for compliance on an on-going basis.
Lack of or inadequate business continuity plan (BCP) to allow the firm to mitigate, respond to, and recover from a disaster or disruption that may impact its ability to provide services to clients.	See our report titled 10 Most Common Deficiencies Among Portfolio Managers for suggested practices on what a firm's BCP should cover.
Inadequate disclosure to clients regarding fairness in allocation of investment opportunities amongst clients (fairness policy), or on conflicts of interest such as advising in securities of related or connected issuers.	For guidance on the content of a fairness policy and disclosing conflicts of interest to clients, see sections 14.10 and 13.4 respectively, of the Companion Policy (CP) to NI 31-103.

We also noted capital calculation deficiencies, including using an insufficient amount of minimum capital, failing to deduct the deductible under the firm's bonding or insurance policy, and not preparing capital calculations on at least a monthly basis. For capital calculation requirements under NI 31-103 (which apply to all registrants as of September 28, 2010), please see section 12.1 of NI 31-103 and its CP, and Form 31-103F1 *Calculation of Excess Working Capital.*

D. Sweep of marketing practices in 2010

Since we continue to find deficiencies in the marketing practices of portfolio managers during compliance reviews, we decided to conduct a second sweep of their marketing practices as part of a CSA initiative.

This sweep will help us to assess if investors are being provided with fair and accurate information when they decide to enter into, or maintain, an advising relationship with a portfolio manager. We started the marketing sweep in the summer of 2010 by sending a sample of portfolio managers a survey that requested information about their marketing practices and copies of their marketing materials. A sub-set of the portfolio managers who received the survey have been selected for on-site reviews, which are in-progress. At the end of the sweep, we plan on publishing our findings in a CSA Staff Notice.

E. New and proposed rules impacting portfolio managers

This section discusses new and proposed rules that impact portfolio managers.

Use of client brokerage commissions

National Instrument 23-102 *Use of Client Brokerage Commissions* (NI 23-102) was published on October 9, 2009 and became effective on June 30, 2010, at which time OSC Policy 1.9 was rescinded. NI 23-102 sets out new requirements for trades in securities involving brokerage commissions charged to clients that are directed by a portfolio manager to a dealer in return for the provision of order execution goods and services or research goods and services. It also requires portfolio managers to disclose certain information to their clients on their use of client brokerage commissions by the end of 2010. For more information see NI 23-102.

Institutional trade matching

Final amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (NI 24-101) came into force on July 1, 2010, at which time the transitional requirements in OSC Rule 24-502 were revoked. The revised NI 24-101 requires registered advisers and dealers to match delivery against payment/receipt against payment (DAP/RAP) trades by no later than noon on the business day following the trade date, and no longer has an ultimate requirement to match DAP/RAP trades by the end of the trade date. For more information see revised NI 24-101.

Sub-adviser registration exemption

Together with the CSA, we are considering adding a sub-adviser registration exemption in NI 31-103 that would apply across Canada that is similar to the existing Ontario exemption in section 7.3 of OSC Rule 35-502 *Non Resident Advisers.* Most other Canadian jurisdictions currently grant discretionary relief with similar terms in exemption orders, but there are different CSA views on how to interpret the terms. As part of this work, we will review how the industry uses the existing exemptions.

3.3 Investment fund managers

This section contains information specific to investment fund managers, including the findings and suggested practices from compliance reviews, an update on our focused reviews of investment funds as a result of the market turmoil, and proposals for the registration of non-resident investment fund managers.

A. Deficiencies from compliance reviews of investment fund managers and suggested practices

Use of side letters

We have concerns with investment fund managers that give preferential treatment to one or more investors in the same class of units of an investment fund, as they disadvantage the other investors. Some investment fund managers of non-prospectus investment funds have entered into agreements (or "side letters") with one or more investors in their funds that give those investors preferential rights and terms compared to those given to other investors in the same class of units of the fund. Examples include preferential portfolio transparency, redemption rights, fund reporting, and management and performance fees.

Side letters that give preferential rights to one or more investors can harm the fund and its other investors. For example, if some investors have portfolio transparency and more frequent redemption rights, they can use their knowledge of the portfolio and their right to redeem their units before others, to their benefit and to the disadvantage of the fund and its other investors.

Section 116 of the *Securities Act* imposes a standard of care on investment fund managers for the investment funds they manage. In our view, investment fund managers do not meet their standard of care by giving preferential rights and terms to one or more investors, but not all investors, in the same class of units of an investment fund.

Also, sections 13.4(1) and (2) of NI 31-103 require registered firms to identify and respond to all existing or potential material conflicts of interest between their firm, including the individuals acting on its behalf, and its clients. In our view, it is a material conflict of interest to provide preferential rights and terms to an investor in the same class of units as other investors in an investment fund.

Suggested practices

- Avoid entering into arrangements (including "side letters") that give preferential rights and terms to one or more investors in the same class of units of an investment fund
- If investors in the same investment fund are provided with different rights and terms:
  - create separate classes of units for the fund, and
  - disclose the rights and terms of each class of units in the fund's offering documents.

Responsibility for valuation and error correction

Some investment fund managers appear to be contracting out of their duties and obligations under securities law to properly value their funds' investments and correct any net asset value (NAV) calculation errors. We noted a small number of cases where non-prospectus funds' offering documents state or imply that when there is a valuation error, the investment fund manager will not adjust the NAV of the fund retroactively.

In our view, for investment fund managers to meet their standard of care under section 116 of the *Securities Act*, they should ensure that the NAV of each fund under their management is accurately calculated, and that they correct any of their fund's material NAV errors (including making retroactive adjustments). Investment fund managers may not avoid their legal duties or obligations through disclosure in an investment fund's offering documents.

Suggested practices

- Maintain and apply written policies and procedures to ensure that the fund's investments are properly valued and that the NAV is accurately calculated
- Maintain and apply written policies and procedures to identify and correct any NAV calculation errors, including policies and procedures that:
  - establish a reasonable materiality threshold for NAV error corrections
  - rectify NAV calculation errors, and
  - make the fund and its unitholders whole as appropriate where the NAV has been materially overstated or understated
- Make adjustments to the fund's NAV (including retroactive adjustments) to make the fund and its unitholders whole as appropriate when there is a material NAV calculation error, and
- Ensure that disclosure in the fund's offering documents and the fund manager's policies are consistent with the fund manager's standard of care to make the fund and its investors whole when there has been a material NAV calculation error.

Prohibited investments for investment funds

Some investment funds make investments that are prohibited under securities law. We found cases where investment funds' portfolios held securities:

- of companies that were related to the fund or its investment fund manager, portfolio manager, or principal distributor, or to any of their shareholders, directors or officers
- in the form of loans from the investment fund to its related parties (including the fund's portfolio manager and investment fund manager), and
- in companies and other investment funds, which represented an ownership of more than 20% of the outstanding voting securities of those companies or other investment funds.

In most cases, these investments were held in portfolios of non-prospectus qualified investment funds.

Investment funds that meet the definition of a mutual fund in Ontario[6] have specific prohibitions against investments (including loans) in securities of their related parties, unless an exemption applies. Section 111 of the *Securities Act* outlines the investments that are prohibited for mutual funds in Ontario. One of the prohibitions disallows making or holding an investment in any person or company (including another investment fund) in which the mutual fund, alone or together with its related mutual funds, owns more than 20% of the outstanding voting securities.

In addition, section 13.5 of NI 31-103 prohibits a portfolio manager from causing an investment portfolio managed by it, including an investment fund, from providing a guarantee or loan to a responsible person or associate of a responsible person (which includes the portfolio manager).

For investment funds sold by simplified prospectus, further investment restrictions may apply. For example, see Parts 2 and 4 on Investments and Conflicts of Interest respectively, in National Instrument 81-102 *Mutual Funds*. In some cases, investment funds that are reporting issuers with an independent review committee (IRC) may be permitted to make investments in securities of related parties if they are in the best interests of the fund and are approved by the IRC, and if the other conditions in National Instrument 81-107 *Independent Review Committee for Investment Funds* are met.

There are also general requirements that apply to all investment funds. For example, section 116 of the *Securities Act* imposes a standard of care on investment fund managers, requiring them, among other things, to act in the best interests of their investment funds. In our view, this obliges them to ensure that any investments (including loans) in securities of related parties held by their investment funds are in the best interests of the fund. Compliance with this obligation may prevent investment funds from making certain investments, even if they are not specifically prohibited by securities law.

[6] See definition for mutual fund in Ontario in section 1(1) of the *Securities Act.*

Suggested practices

- Prior to making an investment (including a loan) for an investment fund in securities of its related parties, assess if it complies with all relevant investment restrictions under applicable securities legislation and is in the best interests of the fund, and document the results of the assessment
- Maintain records of the investments held by all mutual funds under common management to monitor if any mutual fund (alone or together with its related mutual funds) approaches or exceeds ownership of more than 20% of the outstanding voting securities of those investments (including investments in other investment funds)
- Review any existing investments (including loans) by an investment fund in securities of its related parties, and any concentrated positions in securities, to determine if the investment complies with all relevant securities legislation, and is in the best interests of the fund, and
- Take appropriate action to address any instances of non-compliance.

B. Focused reviews of investment funds in response to market turmoil

We responded to the turmoil in the financial markets in 2008 and 2009 by using a risk-based approach to conduct focused reviews of investment funds. We performed on-site compliance reviews of samples of Ontario-based money market funds, non-conventional investment funds and hedge funds. We have now completed our focused reviews, and despite the market downturn, we did not identify any industry-wide compliance issues during the period reviewed. Instances of non-compliance identified during our on-site reviews were addressed separately with each individual fund manager.

A summary of our initiative was published on January 19, 2010 as OSC Staff Notice 33-733 *Report on Focused Reviews of Investment Funds.* This report summarizes our findings based on the industry's responses to our questionnaires, as well as our observations and suggested practices from all three phases of our on-site reviews.

Going forward, we will continue to monitor market conditions and will conduct focused reviews or sweeps to address any significant market issues which may arise.

C. Registration of non-resident investment fund managers

The new registration regime introduces the investment fund manager category of registration for firms that direct the business, operations and affairs of investment funds. We are working with the other

members of the CSA to determine how this registration requirement applies to non-resident investment fund managers. Specifically, we are examining the following:

- the circumstances under which investment fund managers resident outside of Canada would need to register, and
- in what provinces and territories an investment fund manager with a head office in Canada would need to register in addition to the province or territory where its head office is located.

In the fall of 2010, we expect to publish for comment proposed changes to NI 31-103 with respect to the registration of non-resident investment fund managers.

3.4 Exempt market dealers

A. Risk assessment questionnaire for exempt market dealers

We developed and sent out a risk assessment questionnaire (RAQ) to all exempt market dealers (formerly limited market dealers) registered in Ontario to help us determine which firms would be selected for a compliance review and what areas of their business to focus on. We reviewed the responses to the RAQs to get a general understanding of each firm and its business activities. Based on the information provided to us, we selected a smaller group of firms from which to obtain additional information on the firm's business activities, KYC and accredited investor information, products and services, and marketing and disclosure practices. We are reviewing this additional information, and may ask further questions or conduct on-site reviews of these firms.

B. Deficiencies from compliance reviews of exempt market dealers and suggested practices

During the course of our compliance reviews, we reviewed a number of exempt market dealers (EMDs) that were distributing high-yield investment products. Our reviews identified significant deficiencies, including the failure to adequately meet know your client (KYC) and suitability obligations (including know your product), inadequate disclosure to clients, and inadequate compliance systems. We generally raised these and other deficiencies with each EMD reviewed so that they could take appropriate corrective action to address the concerns. However, where appropriate, we referred the case to our Enforcement Branch or took action to suspend the firm's registration.

As part of our on-going reviews of EMDs, we will continue to focus our attention on the areas that we found deficiencies from prior reviews, and will take appropriate regulatory action if we identify significant deficiencies.

The key deficiencies from our reviews are discussed below, accompanied by suggested practices.

KYC and suitability obligations (including know your product (KYP))

Significant KYC and suitability deficiencies noted during field reviews conducted in fiscal 2008 and 2009 continue to exist. For example, we noted that:

- the majority of EMDs reviewed did not adequately collect and document KYC information for clients
- some EMDs that collected KYC information were not using it appropriately in their suitability assessment
- when assessing suitability, many EMDs did not have adequate knowledge of the investment product being recommended (referred to as KYP), and
- many EMDs did not perform sufficient product due diligence prior to recommending a product to investors.

Many EMDs did not collect and document their clients' investment needs and objectives, risk tolerance, and financial circumstances. In some cases, EMDs that collected this KYC information recommended a security to the client that was not suitable.

Many EMDs (both the firm and its registered individuals) did not adequately understand the structure, features and risks of the investment products that they recommended. In addition, there was a lack of ongoing due diligence, as they were unaware of changes to the investment product's key features and risks, and to the issuer's financial condition – all of which could impact investors' decisions and future returns.

Many of the EMDs that distributed products of a third-party issuer had only a basic understanding of the investment product. EMDs generally relied on the information provided by the issuer and did not perform sufficient due diligence before accepting the product for distribution and had limited or no information regarding the issuer's financial condition.

EMDs distributing products of a related issuer did not disclose the issuer's financial condition to their clients, even though they had knowledge of this information. As a result, some EMDs were misrepresenting the product to their investors, and investors may have been misled regarding the financial viability and risks of the product.

Section 13.2 of NI 31-103 requires registrants to take reasonable steps to ensure they have sufficient and current KYC information for clients including the clients' investment needs and objectives, financial circumstances and risk tolerance. Section 13.3 of NI 31-103 requires registrants to take reasonable steps to ensure that all securities recommended to clients are suitable. See sections 13.2 and 13.3 of the

Companion Policy to NI 31-103 and CSA Staff Notice 33-315 for guidance on KYC, suitability and KYP requirements.

Suggested practices

EMDs and their registered individuals should ensure that they:

- have a process in place to collect and document sufficient KYC information for each client (for example by using a standard KYC form) so they can properly assess the suitability of investment products they recommend
- have an in-depth understanding of:
    - the general features and structure of the product
    - the product risks including the risk/return profile and liquidity risks
    - the management and financial strength of the issuer
    - costs, and
    - any eligibility requirements for each product

  before recommending it to clients
- perform an independent analysis of the product rather than recommending a product solely based on information from issuers, similarities with other products, or suggestions from other parties, and
- perform ongoing due diligence of the issuer and products to assess changes to their structure or features and determine the impact on their clients' investments.

Inadequate disclosure to clients

We identified a number of areas where clients did not receive sufficient disclosure to properly assess the relevant attributes and associated risks of the investment products recommended by EMDs. For example, we noted:

- inadequate disclosure of investor rights, costs, risks, and eligibility requirements of recommended products
- inadequate disclosure of the use of investor money
- inadequate disclosure of conflicts of interest, and
- misleading disclosure in marketing materials.

Section 2.1 of OSC Rule 31-505 requires EMDs to deal fairly, honestly and in good faith with their clients. In our view, this includes ensuring that information contained in offering documents and marketing materials is complete, accurate, and not misleading.

Also, section 13.4(3) of NI 31-103 requires EMDs to provide timely disclosure to its clients on the nature and extent of existing or potential material conflicts of interest between the EMD (including each individual acting on its behalf), and the client. In our view, this includes disclosing to clients any conflicts of interest that could impact a client's decision to purchase an investment product. The disclosure should be provided when a reasonable investor would expect to be informed of the conflict. In our view, this is before or at the time an EMD recommends a security transaction that gives rise to the conflict. For additional guidance on conflicts of interest, see section 13.4 of the Companion Policy to NI 31-103.

Suggested practices

Disclosure in offering documents

- Guidelines should be set by the firm to ensure appropriate disclosure on the general features and structure of the product, risks, fees, management and financial strength of the issuer, and any eligibility requirements of each product, and
- All offering documents should be reviewed and approved by the EMD prior to distribution to investors.

Disclosure of the use of investor money

- There should be complete and accurate disclosure to clients on the issuer's use of investor proceeds, and
- Funds lent to related parties should be disclosed, including the nature of the loan and relevant terms such as the risks associated with the loan, whether investor funds are secured against assets, repayment terms, and interest rates.

Disclosure of conflicts of interest

- Guidelines should be set by the firm to ensure conflicts of interests that are relevant to a client's investment decision are disclosed in a timely manner. Specifically, relationships with affiliates and other related parties should be disclosed. The disclosure should be prominent, specific, clear and meaningful to the client, and explain the conflict of interest and how it could impact the client.

Disclosure in marketing materials

- Marketing materials must be free of misleading or inaccurate information. As such, comparisons to alternative investments should be restricted to products with similar features and risks, and relevant differences should also be disclosed to enable the investor to adequately assess the risks and rewards of each investment product.

Inadequate compliance system

A number of EMDs reviewed did not have an adequate compliance system to ensure that the firm and its individuals complied with securities legislation, as evidenced by the following findings:

- inadequate collection, review and approval of KYC and suitability information for clients prior to an investment being made
- inadequate review of accredited investor information to assess whether the accredited investor exemption relied on was consistent with the information obtained in the KYC process
- inadequate review and approval of offering documents and marketing materials, resulting in misleading or inaccurate information being provided to clients and inadequate disclosure of product risks
- written policies and procedures were inadequate and did not cover all business areas, and
- existing policies and procedures were not enforced.

Section 11.1 of NI 31-103 requires EMDs to establish a system of controls and supervision by establishing, maintaining and applying policies and procedures that ensure compliance with securities legislation and manage their business risks. See section 11.1 of the Companion Policy to NI 31-103 for guidance on compliance systems.

Suggested practices

- Clients' KYC information documented by the EMD's dealing representatives should be reviewed for completeness and be approved by the EMD's compliance officer
- Investments recommended to clients by the EMD's dealing representatives should also be assessed for suitability by the EMD's compliance officer using each client's KYC information
- Accredited investor information should be compared to completed KYC forms to assess whether the use of the accredited investor exemption is reasonable. Where KYC information is not sufficient to make this assessment, evidence of follow-up supporting the appropriateness of the firm's reliance on the exemption should be included in the client's file
- EMDs should review offering documents and marketing materials to ensure they present information to clients in a clear, accurate and complete manner, and
- Written policies and procedures should be tailored to a firm's business operations, be up-to-date with Ontario securities law, and be enforced.

4. Additional resources

OSC ONTARIO SECURITIES COMMISSION

4. Additional resources

This section discusses how registrants can get more information about their obligations.

A part of our branch's mandate is to foster a culture of compliance through outreach and other initiatives. Although as a regulatory body we cannot provide legal or financial advice, we try to assist registrants in meeting their regulatory requirements in a number of ways. Some special stakeholder initiatives this past year are discussed below.

We updated the CRR Branch's section of the OSC's website (www.osc.gov.on.ca) in May 2010. The "Information for Dealers, Advisers and Investment Fund Managers" section of the website provides firms and individuals with comprehensive information about the registration process and their ongoing obligations under the new registration regime. The new section features an expanded navigation and layout which makes it easier to understand the initial registration process and the ongoing obligations of a registrant. It also includes information about compliance reviews and suggested practices. The section also provides quick links to forms, FAQs relating to the new registration rules and various guides.

Also, we hosted a forum for chief compliance officers (CCOs) of portfolio managers in February 2010. The objective of the forum was to heighten CCOs' awareness of their responsibility for compliance and the importance of a strong and effective compliance regime. Topics discussed included:

- Importance of a compliance regime
- OSC's compliance oversight approach
- Portfolio manager common deficiencies
- NI 31-103
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*
- Soft dollars
- IFRS

Until February 1, 2011, you may access an audio recording of this forum by going to the following web page and following the on-screen instructions:
http://events.startcast.com/events6/413/C0001/Default.aspx

ONTARIO SECURITIES COMMISSION

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Phone: (416) 593-8314 (Toronto area)/ 1-877-785-1555 (toll-free)/ 1-866-827-1295 (TTY)

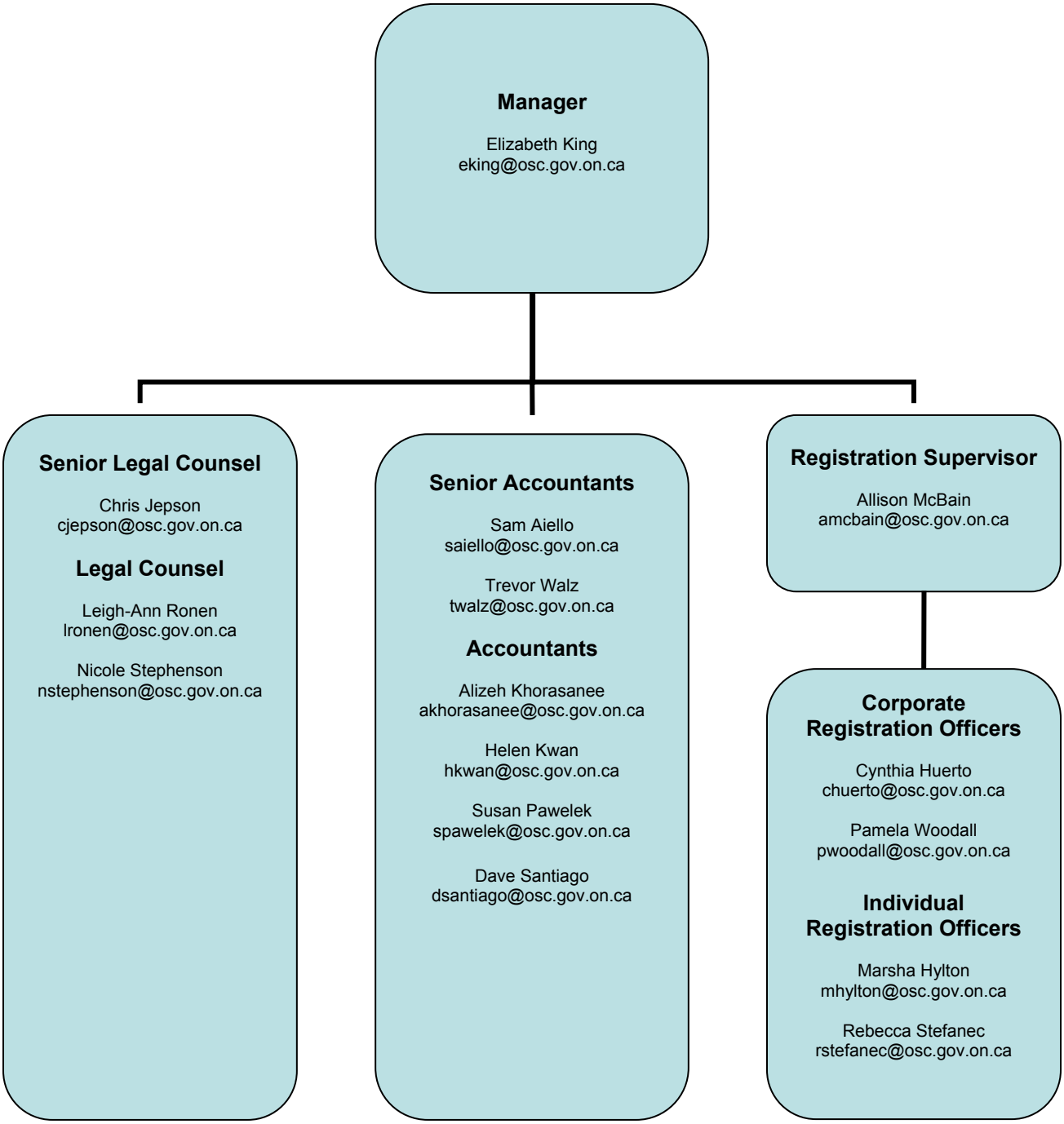
E-mail: inquiries@osc.gov.on.ca Fax: (416) 593-8122

October 15, 2010

Ontario

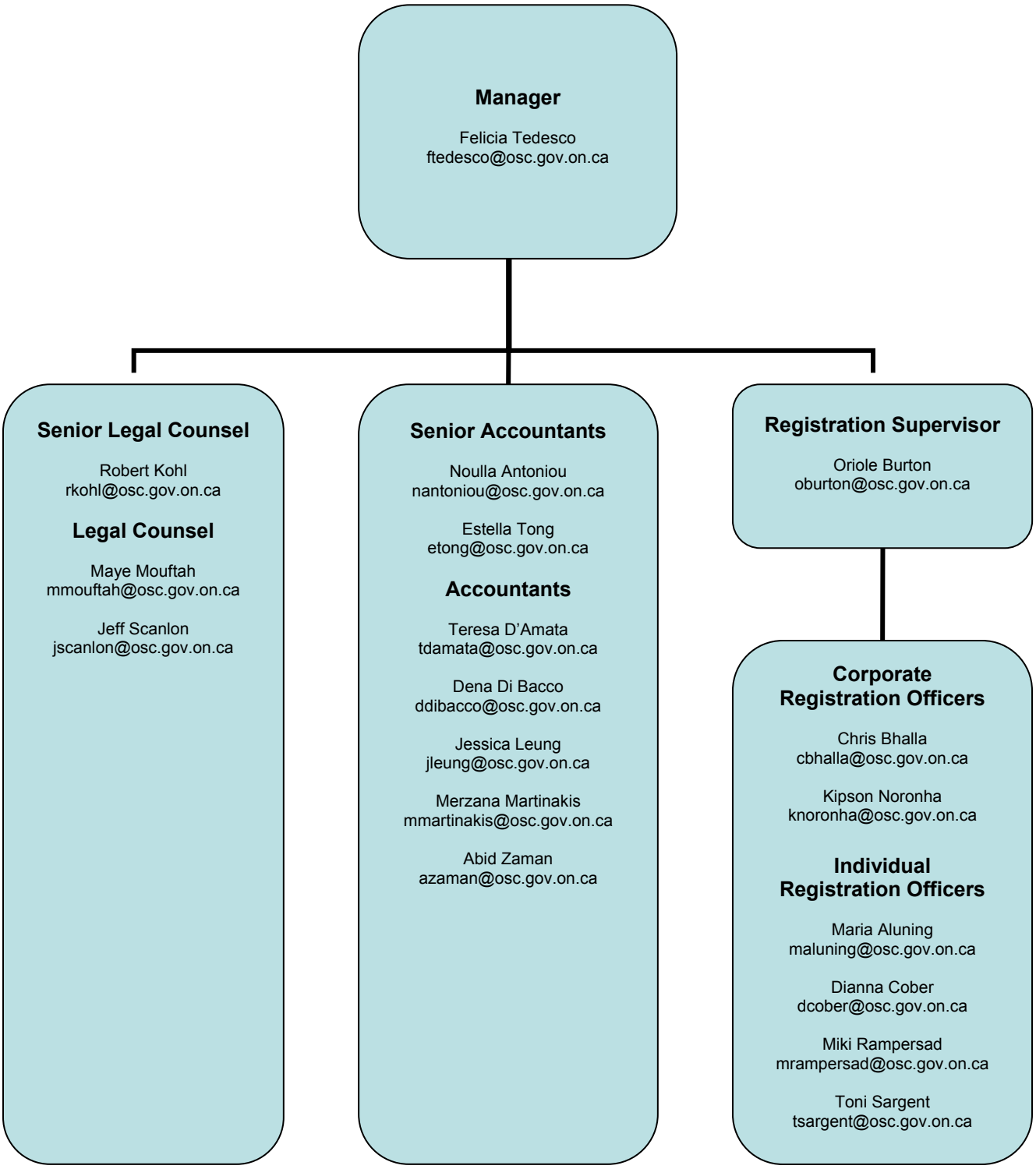
As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial Securities Act, the provincial Commodity Futures Act and administers certain provisions of the provincial Business Corporations Act. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

Portfolio Manager Team



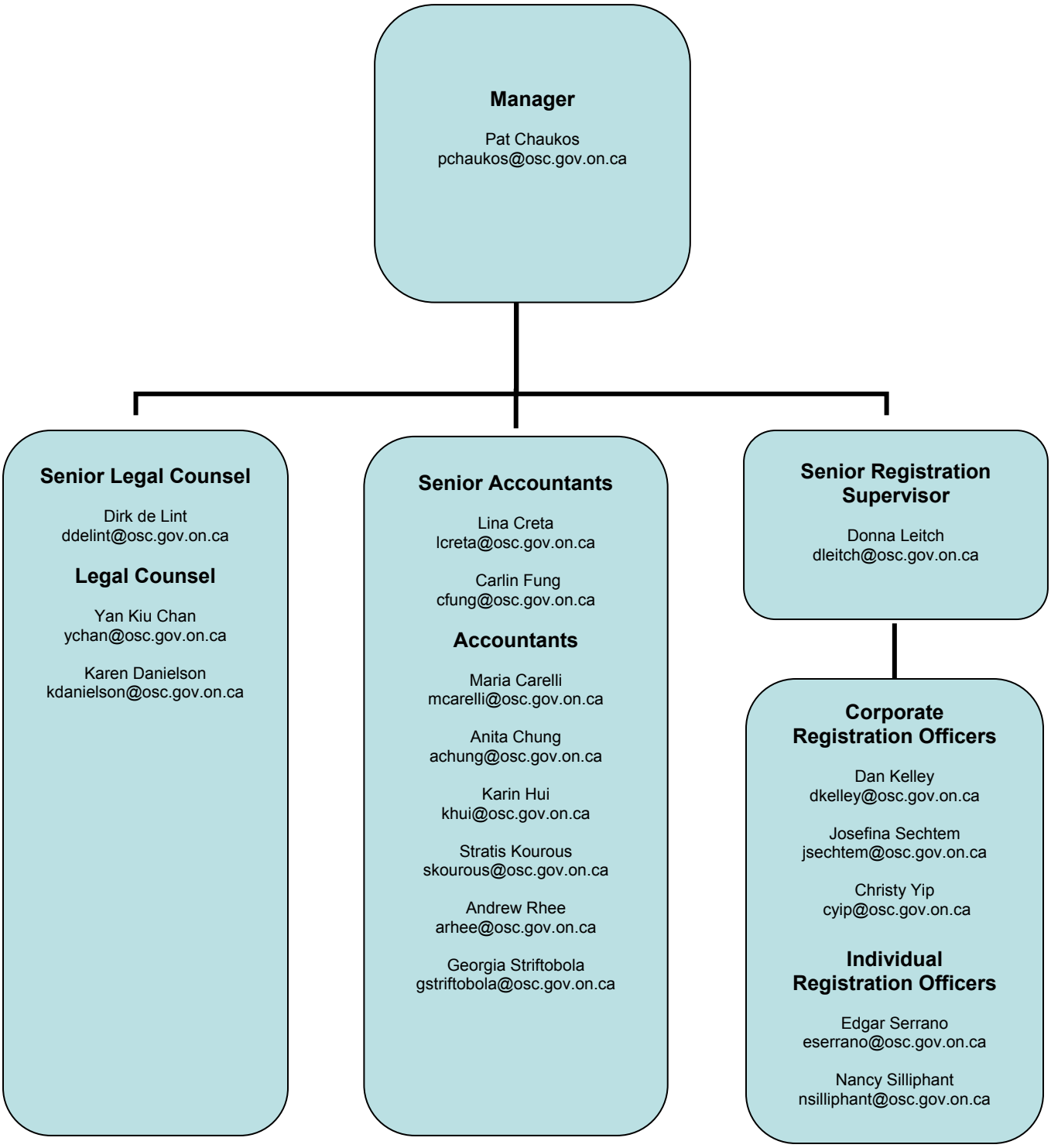
For general questions and complaints, please contact the OSC Inquiries and Contact Centre at inquiries@osc.gov.on.ca

Investment Fund Manager Team



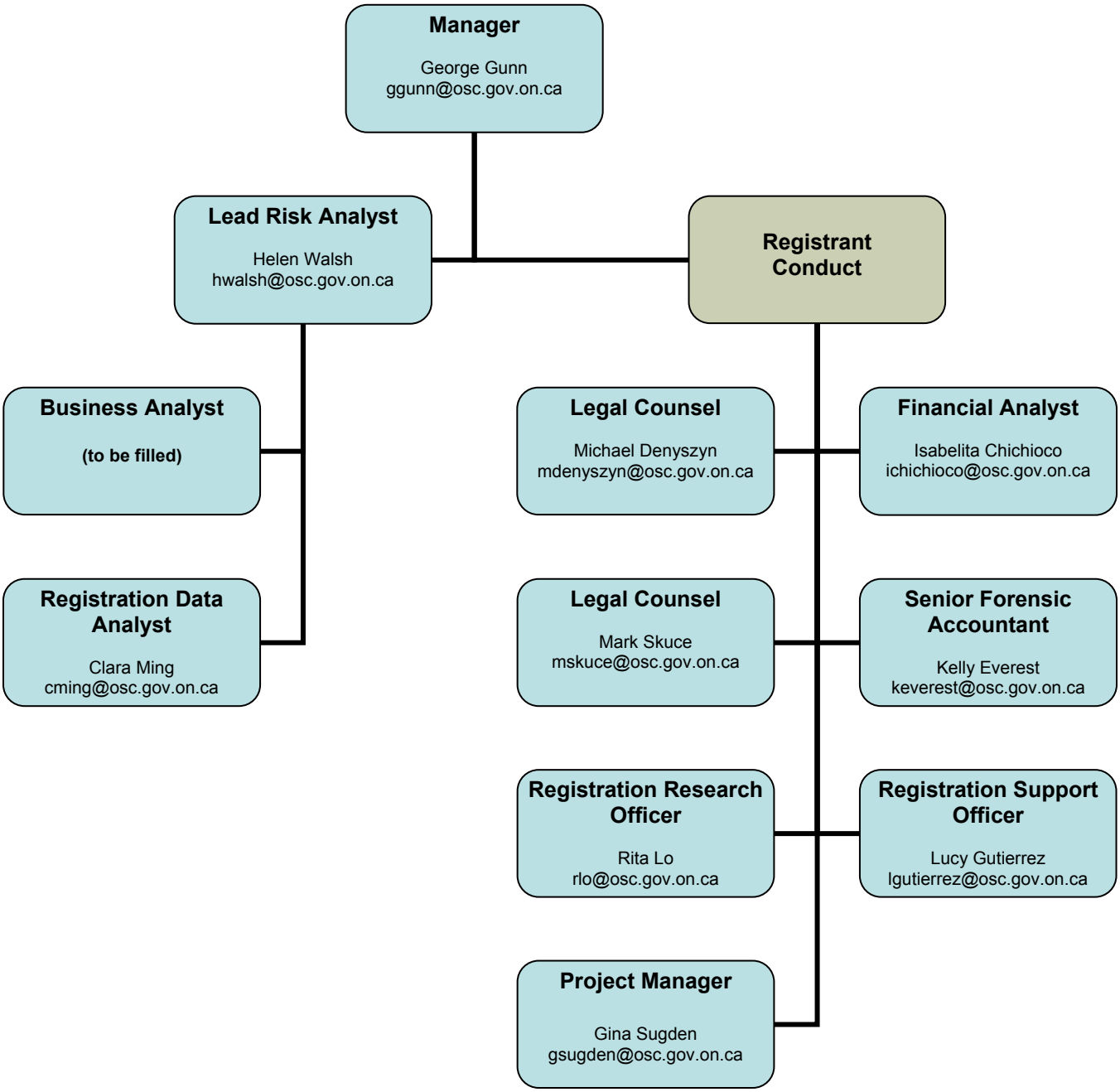
For general questions and complaints, please contact the OSC Inquiries and Contact Centre at inquiries@osc.gov.on.ca

Dealer Team



For general questions and complaints, please contact the OSC Inquiries and Contact Centre at inquiries@osc.gov.on.ca

Registrant Conduct and Risk Analysis Team



For general questions and complaints, please contact the OSC Inquiries and Contact Centre at inquiries@osc.gov.on.ca

1.1.5 CSA Staff Notice 52-327 – Certification Compliance Update

CSA Staff Notice 52-327 – *Certification Compliance Update* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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CSA STAFF NOTICE 52-327
CERTIFICATION COMPLIANCE UPDATE

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 52-327
CERTIFICATION COMPLIANCE UPDATE

October 15, 2010

Introduction

The Canadian Securities Administrators (CSA) staff (staff or we) conducted a review of the 2009 annual Management's Discussion & Analysis (MD&A) and the annual certificates[1] for a sample of 195 reporting issuers, composed of 145 non-venture and 50 venture issuers[2], to assess compliance with the provisions of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (Certification Instrument or NI 52-109). In 2009, we conducted a review of the 2008 annual MD&A and certificates to assess compliance with the Certification Instrument. The results of last year's review are summarized in CSA Staff Notice 52-325 *Certification Compliance Review* (CSA Staff Notice 52-325), published on September 11, 2009. A follow-up review was conducted this year to evaluate the level of improvement in reporting issuers' compliance with the Certification Instrument with respect to their 2009 annual filings and to raise awareness and educate issuers on their certification disclosure obligations.

This year's review focused on the following aspects:

- Compliance of NI 52-109 related MD&A disclosure;
- Compliance of NI 52-109 certificates;
- Further review of issuers identified in last year's review that did not fully comply;
- Certificates and related MD&A disclosure of issuers that restated and re-filed 2009 interim or annual financial statements to correct accounting errors; and
- MD&A disclosure relating to the impact of International Financial Reporting Standards (IFRS) on internal control over financial reporting (ICFR) and disclosure controls and procedures (DC&P).

This notice summarizes the results of the review and provides issuers with further guidance.[3]

Overall, the results of this year's review indicate moderate improvement in the level of issuers' compliance with NI 52-109 as compared to the results of last year's review. In view of the high number of refilings resulting from this year's review, we think that issuers can further improve form compliance and related MD&A disclosure in future filings. We recommend that issuers and their certifying officers review the requirements outlined in the Certification Instrument and review its

[1] A "certificate" or "form" is any of the forms associated with NI 52-109.
[2] All but one of the venture issuers in our sample filed basic certificates.
[3] Venture issuers that choose to file full certificates should consider all comments and guidance of this staff notice addressed to non-venture issuers.

Companion Policy NI 52-109CP (52-109CP). Issuers and their certifying officers should also refer to the guidance in this staff notice and in CSA Staff Notice 52-325.

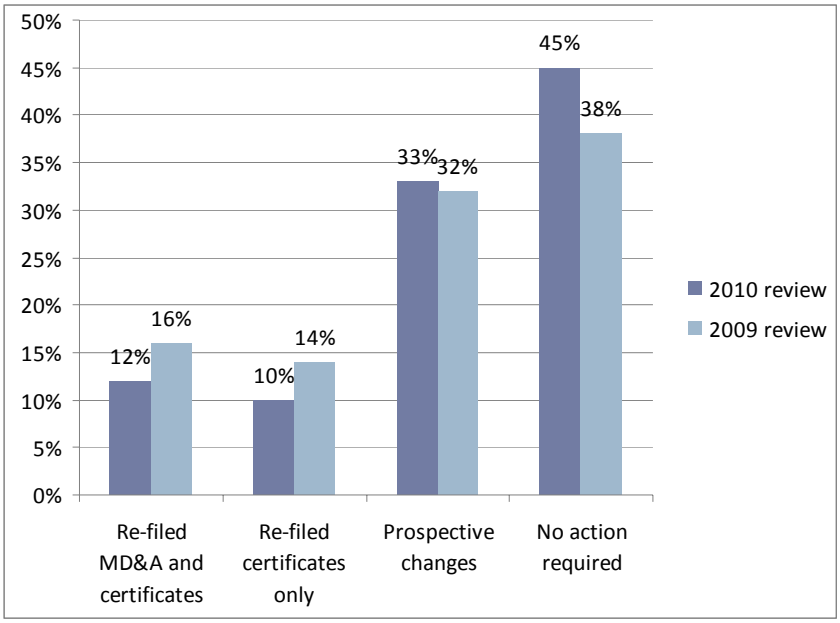
Investor Impact

As noted in section 1.1 of 52-109CP, the objective of the Certification Instrument is to improve the quality, reliability and transparency of reporting issuers' annual filings, interim filings and other materials that issuers file or submit under securities legislation. We think this improvement in turn helps maintain and enhance investors' confidence in the integrity of our capital markets. In order to provide investors with a better understanding of the non-venture issuers' ICFR and DC&P, non-venture issuers should fully and clearly disclose in their MD&A:

- Their certifying officers' conclusions about the effectiveness of the issuers' ICFR and DC&P;
- Any material weakness in ICFR and any weakness that is significant in DC&P; and
- Any material change in ICFR.

Summary of Findings

The table below summarizes the results of this year's review compared to the results of last year's review.



As illustrated above, the percentage of issuers that were requested to re-file their MD&A and certificates declined as we saw a decrease in the severity of the deficiencies. We also observed some improvement in the percentage of issuers for which no action was taken because the issuer fully or substantively complied with the Certification Instrument. A summary of our findings is set out below.

A – Compliance of NI 52-109 related MD&A disclosure

We reviewed the annual MD&A disclosure to assess whether it was consistent with the representations contained in the annual certificates. As a result of our review, 12% of issuers were asked to re-file their 2009 annual MD&A and certificates. In instances where issuers did not disclose the certifying officers' conclusions about the effectiveness of ICFR or DC&P or when the disclosure was unclear or incomplete, we asked issuers to re-file their 2009 annual MD&A and certificates.

B – Compliance of NI 52-109 certificates

We reviewed the annual certificates to determine if they were filed in the exact wording prescribed by the required form, if the certificates were filed on the proper date and to assess whether the representations included in the certificates were consistent with the disclosure in the related annual MD&A. As a result of our review, 10% of issuers were asked to re-file their 2009 annual certificates because of material amendments to the wording of the certificates and certificate content that was inconsistent with related MD&A disclosure.

C – Further review of issuers identified in last year's review that did not fully comply

Our review sample of 195 reporting issuers included 45 issuers (33 non-venture issuers and 12 venture issuers) identified in last year's review as not fully compliant. We asked two issuers to re-file their 2009 annual MD&A or certificates for the same reasons that they were asked to re-file in last year's review.

D – Certificates and related MD&A disclosure of issuers that restated and re-filed 2009 interim or annual financial statements to correct accounting errors

We selected a sample of eight non-venture issuers that restated and re-filed their 2009 interim or annual financial statements to correct accounting errors. Based on our discussion with the issuers, we concluded that issuers did not always consider if the misstatement in the financial statements related to a material weakness in the issuer's ICFR. As a result, we found deficiencies in the disclosure of material weaknesses, in the conclusions about the effectiveness of ICFR and DC&P and in the disclosure of material changes to ICFR that were made to remediate a material weakness.

E – MD&A disclosure relating to the impact of IFRS on ICFR and DC&P

We reviewed the MD&A disclosure relating to the ICFR and DC&P components of the IFRS transition plan of the non-venture issuers in our sample and noted the majority of these issuers provided generic disclosure or did not discuss the impact of the transition to IFRS on ICFR and DC&P. We reminded the issuers, in advance of their first IFRS financial statement filings, of the requirement to disclose any material change in ICFR that may occur due to the transition to IFRS and the ongoing preparation of financial statements in accordance with IFRS.

Findings

This section discusses the results of our review in detail. We included examples that meet disclosure requirements and examples that do not meet disclosure requirements to highlight the common deficiencies identified during our review. These examples are for illustrative purposes only.

Accordingly, the examples that meet disclosure requirements may not be sufficient or appropriate for any particular issuer depending on its circumstances and the needs of its investors. Responsibility for making sufficient and appropriate disclosure and complying with applicable securities legislation remains with issuers.

A – Compliance of NI 52-109 related MD&A disclosure

We reviewed the annual MD&A disclosure to assess whether it was consistent with the representations contained in the annual certificates.

Conclusions on the effectiveness of ICFR and DC&P

Paragraph 6 of Form 52-109F1 *Certification of Annual Filings - Full Certificate* (Form 52-109F1) includes representations that the issuer disclosed in its annual MD&A the certifying officers' conclusions about the effectiveness of ICFR and DC&P at the financial year end.

Additionally, certifying officers may not qualify their assessment by stating that the issuer's ICFR or DC&P is effective subject to certain qualifications or exceptions unless the qualification pertains to one of the permitted scope limitations available in section 3.3 of the Certification Instrument as discussed in sections 9.5 and 10.1 of 52-109CP.

- **26% of issuers reviewed that filed full certificates did not disclose or did not fully disclose the certifying officers' conclusions about the effectiveness of ICFR or DC&P in their annual MD&A or they qualified the conclusions.**

Example 1 - Extract of MD&A - No conclusion on the operation of DC&P:

Does not meet disclosure requirements	Meets disclosure requirements
As at December 31, 2009, the CEO and the CFO evaluated the design of the Company's DC&P. Based on that evaluation, the CEO and the CFO concluded that the design of DC&P was effective as at December 31, 2009.	As at December 31, 2009, the CEO and the CFO evaluated the design and *operation* of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's *DC&P was effective* as at December 31, 2009.

In Example 1, the issuer has disclosed the certifying officers' conclusion on the design of DC&P but not its operation. Since the issuer's DC&P may be designed effectively but may not operate as intended, it is important for issuers to disclose the certifying officers' conclusion about both the design and operation of ICFR and DC&P. To cover the entirety of ICFR and DC&P, certifying officers may simply conclude on the effectiveness of ICFR and DC&P without referring to the design and operation separately.

Example 2 - Extract of MD&A – Incomplete conclusion about the effectiveness of ICFR:

Does not meet disclosure requirements	Meets disclosure requirements
Based on the evaluation of the design and operating effectiveness of the company's ICFR, the CEO and the CFO concluded that the company's ICFR was effective to provide reasonable assurance regarding the reliability of financial reporting as at December 31, 2009.	Based on the evaluation of the design and operating effectiveness of the company's ICFR, the CEO and the CFO concluded that the company's ICFR was *effective* as at December 31, 2009.

In Example 2, the conclusion does not contain the exact definition of ICFR, as noted in the Certification Instrument. Issuers are not required to include the definition of ICFR or DC&P in their conclusion of the effectiveness. However, if issuers and their certifying officers choose to include the definition of ICFR and DC&P in their MD&A, the definitions should be replicated in their entirety and verbatim to avoid concluding on only a portion of ICFR or DC&P.

While the Certification Instrument does not specifically prescribe the language used to conclude on the effectiveness of the issuer's DC&P and ICFR, explicit disclosure as to whether the issuer's ICFR and DC&P are "effective" or "ineffective" at the financial year end improves transparency and avoids ambiguity.

Example 3 - Extract of MD&A - Qualification of the conclusion regarding the effectiveness of ICFR:

Does not meet disclosure requirements	Meets disclosure requirements – If the "disclosable weakness" is not a material weakness: Based on an evaluation of the Company's ICFR as at December 31, 2009, the CEO and CFO concluded that the Company's ICFR was *effective*. Meets disclosure requirements – If the "disclosable weakness" is a material weakness Based on an evaluation of the Company's DC&P and ICFR as at December 31, 2009, the CEO and CFO concluded that the company's ICFR was *ineffective*.
The CEO and the CFO have determined that as at December 31, 2009, the Company's ICFR was effective except for a disclosable weakness with respect to segregation of duties.	

In Example 3, the certifying officers qualified their assessment by stating that the issuer's ICFR was effective subject to a qualification. Furthermore, the disclosure is confusing since "disclosable weakness" is not a defined term under NI 52-109.

There is no requirement to discuss a "weakness", "design challenge" or "deficiency" in ICFR or DC&P if it is not significant enough to constitute a material weakness in ICFR or a weakness in DC&P that is

significant. If an issuer elects to discuss such "weakness", "design challenge" or "deficiency" in its annual MD&A, to improve transparency and avoid ambiguity, the disclosure should clearly indicate that these items do not constitute a material weakness or a weakness in DC&P that is significant. Guidance on assessing the significance of deficiencies in ICFR and DC&P can be found in Part 9 and Part 10 of 52-109CP, respectively.

In instances where issuers did not disclose the certifying officers' conclusions about the effectiveness of ICFR or DC&P or when the disclosure was unclear or incomplete, we asked issuers to re-file their 2009 annual MD&A and certificates.

Material weakness

As discussed in sections 9.5 and 10.1 of 52-109CP, the certifying officers cannot conclude that the issuer's ICFR or DC&P is effective if they identify a material weakness or a weakness in DC&P that is significant, as in Example 4 below. Additionally, section 10.3 of 52-109CP notes that the existence of a material weakness in the issuer's ICFR will almost always represent a weakness that is significant in the issuer's DC&P given the substantial overlap between the definitions of DC&P and ICFR.

- **3% of issuers reviewed that filed full certificates disclosed that their certifying officers concluded that ICFR was "effective" despite the disclosure of a material weakness in the annual MD&A.**

Example 4 - Extract of MD&A - Conclusion that ICFR was effective when a material weakness exists:

Does not meet disclosure requirements	Meets disclosure requirements
As at December 31, 2009, the CEO and the CFO evaluated and concluded that the Company's ICFR and DC&P were effective as at December 31, 2009. During their evaluation of ICFR, the CEO and the CFO noted a material weakness. The Company's accounting staff has limited knowledge of Canadian GAAP. As such, there is a reasonable possibility that the issuer's ICFR will fail to prevent or detect a material misstatement in the financial statements on a timely basis. To improve the accounting staff's knowledge, the Company will seek external consultants to train accounting staff.	As at December 31, 2009, the CEO and the CFO evaluated and concluded that the Company's ICFR and DC&P were *ineffective* as at December 31, 2009. During their evaluation of ICFR, the CEO and the CFO noted a material weakness. The Company's accounting staff has limited knowledge of Canadian GAAP. As such, there is a reasonable possibility that the issuer's ICFR will fail to prevent or detect a material misstatement in the financial statements on a timely basis. To improve the accounting staff's knowledge, the Company will seek external consultants to train accounting staff.

In Example 4, despite the existence of a remediation plan, the certifying officers could not conclude that the issuer' ICFR and DC&P were effective because the material weakness existed at year end.

Voluntary disclosure about DC&P and ICFR by venture issuers

If a venture issuer files Form 52-109FV1 *Certification of Annual Filings – Venture Issuer Basic Certificates* (Form 52-109FV1) or Form 52-109FV2 *Certification of Interim Filings – Venture Issuer Basic Certificates* (Form 52-109FV2), it is not required to discuss in the MD&A the design or operating effectiveness of DC&P and ICFR. If an issuer chooses to discuss the design or operation of one or more components of its DC&P and ICFR, section 15.3 of 52-109CP recommends disclosure to accompany the issuer's discussion about DC&P or ICFR.

- **35% of venture issuers that filed basic certificates voluntarily discussed DC&P or ICFR in their annual MD&A but did not include cautionary language.**

The "Note to Reader" included in Form 52-109FV1 and Form 52-109FV2 states that the certifying officers have not made any representations relating to the establishment and maintenance of DC&P and ICFR. By including a discussion of DC&P and ICFR in the MD&A without the language noted in section 15.3 of 52-109CP, the "Note to Reader" conflicts with the disclosure included in the MD&A.

If the certifying officers of a venture issuer choose to establish and maintain the issuer's DC&P and ICFR and evaluate their operating effectiveness, as required for non-venture issuers, and wish to provide disclosure to that effect in the MD&A, the venture issuer may consider filing full certificates in Form 52-109F1 and Form 52-109F2 *Certification of Interim Filings – Full Certificate*.

B – Compliance of NI 52-109 certificates

We reviewed the issuers' annual certificates to determine if they were filed in the exact wording prescribed by the required form, if the certificates were filed on the proper date and to assess whether the representations included in the certificates were consistent with the disclosure in the related annual MD&A.

Amendments to the form

Subsections 4.1(1) and 5.1(1) of NI 52-109 require issuers to file annual and interim certificates in the wording prescribed by the required form.

- **23% of issuers reviewed amended the wording prescribed by the form.**

Some issuers omitted or modified the sequence of paragraphs and removed or added text. For example, some issuers inappropriately deleted paragraphs 5.2 and 5.3 and subparagraph 6(b)(ii) of Form 52-109F1 or did not insert "N/A" when they were not applicable. Those paragraphs relate to material weaknesses and scope limitations. If they do not apply to the issuer, the paragraph number must be included in the certificates to maintain the sequence of the paragraphs and certifying officers must insert "N/A" after the paragraph number.

In instances where issuers deleted paragraphs 5.2 and 5.3 and subparagraph 6(b)(ii) of Form 52-109F1, did not insert "N/A" when they were not applicable or made major amendments to the certificates, we asked issuers to re-file their 2009 annual certificates.

Other deficiencies identified

The following is a non-exhaustive list of other deficiencies identified in our review of certificates:

- The certifying officers did not date the certificates the same date the certificates were filed; (Section 7.1 of NI 52-109);
- Certificates were not filed concurrently with the filing of an AIF, when the AIF was filed after the financial statements and MD&A; (Subsection 4.1(2) of NI 52-109); and
- The date in paragraph 7 of the Form 52-109F1 certificate was not the date immediately following the end of the period covered by the issuer's most recent interim filing. An issuer with a December 31, 2009 year end should have indicated October 1, 2009 in paragraph 7 because this was the date immediately following the end of its September 30, 2009 interim period filing.

C – Further review of issuers identified in last year's review that did not fully comply

We conducted a further review of a sample of 45 reporting issuers (33 non-venture issuers and 12 venture issuers) that were identified in last year's review as not fully compliant with NI 52-109 requirements. The purpose of this review was to determine whether these issuers appropriately addressed the deficiencies that we raised in last year's review in respect of this year's filings. As a result of our review, we asked two of the issuers in our sample to re-file their 2009 annual MD&A or certificates for the same reasons they were asked to re-file in last year' review. Many of the issues identified in this part of our review resulted from new deficiencies and were not a continuation of deficiencies identified in last year's review.

At the end of every reporting period, we encourage issuers to review the Certification Instrument and any past correspondence with CSA staff to ensure that their filings fully comply with the current requirements. Issuers should anticipate staff requests for refiling of certificates or related MD&A in the future if an issuer has not met its certification obligations. As well, staff may consider other regulatory action as circumstances warrant.

D – Certificates and related MD&A disclosure of issuers that restated and re-filed 2009 interim or annual financial statements to correct accounting errors

We selected a sample of eight non-venture issuers that restated and re-filed their 2009 interim or annual financial statements to correct accounting errors. Section 9.4 of 52-109CP mentions that the restatement of previously issued financial statements to reflect the correction of a material misstatement may suggest the existence of a material weakness in ICFR. Based on our discussions with the issuers, we concluded that issuers did not always consider if the misstatement in the financial statements was related to a material weakness in the issuer's ICFR. As a result, we found deficiencies in the disclosure of material weaknesses, in the conclusions of the effectiveness of ICFR and DC&P and in the disclosure of material changes to ICFR when a material weakness was remediated.

MD&A disclosure of material weakness

Timely disclosure of any material weakness, whether it is related to design or operation, allows investors to understand and assess the potential impact on the financial statements. We remind

issuers that if the certifying officers become aware of a material weakness, the MD&A for the applicable period must include the disclosure required under paragraph 3.2 of NI 52-109 (the Material Weakness Disclosure).

Until the issuer remediates the material weakness, it will continue to exist. Therefore, the issuer must provide the Material Weakness Disclosure in the reporting period in which it is discovered and in all subsequent reporting periods until the material weakness is remediated.

- **50% of issuers did not disclose a material weakness in their interim or annual MD&A.**

In our review, we noted that some issuers did not disclose the material weakness relating to the design or operation of ICFR. In Example 5 below, the issuer had a material weakness existing as at September 30, 2009 that was not remediated until June 2010.

MD&A disclosure of remediation plan

The representation of paragraph 7 in Form 52-109F1 and paragraph 6 of Form 52-109F2 requires issuers to disclose in their MD&A any change in ICFR that occurred during the period that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

- **50% of issuers did not disclose the change in their ICFR that was made to address the material weakness.**

As discussed in section 11.1 of 52-109CP, a change in an issuer's ICFR that was made to remediate a material weakness would generally be considered a material change in an issuer's ICFR. Although some issuers in our sample represented that they had remediated the material weakness, these issuers did not always disclose the change in their ICFR that was made to address the material weakness. It is critical for issuers to disclose such changes in a timely manner so that investors can better understand how the issuer has addressed its financial reporting risks that the deficient ICFR component previously failed to address.

Annual conclusions on effectiveness if a material weakness in ICFR or a weakness in DC&P that is significant exists as at the financial year end

As noted in sections 9.5 and 10.1 of 52-109CP, the certifying officers could not conclude that the issuer's ICFR and DC&P are "effective" if the certifying officers identify a material weakness relating to the design or operation of ICFR or a weakness relating to the design or operation of DC&P that is significant. In addition, as noted in section 10.3 of 52-109CP, the existence of a material weakness in the issuer's ICFR will almost always represent a weakness that is significant in the issuer's DC&P given the substantial overlap between the definitions of DC&P and ICFR.

- **37% of issuers did not remediate the material weakness by the end of the year but concluded that their DC&P and ICFR were "effective" in their annual MD&A.**

In Example 5 below, the issuer re-filed its September 30, 2009 interim financial statements on April 15, 2010. Given that the material weakness that related to the restatement of the previously filed financial statements was identified subsequent to the financial year end, this suggests that the issuer's ICFR had a material weakness existing at the December 31, 2009 year end. As such, the non-

venture issuer in Example 5 amended and re-filed its 2009 annual MD&A to disclose that the certifying officers concluded that the issuer's ICFR was "ineffective" at the financial year end. The amended MD&A also provides the Material Weakness Disclosure as defined above.

Example 5 - Non-venture issuer re-files 2009 interim financial statements to correct a material misstatement:

Facts – December 31 year end:		**Certification Requirements:**
- Filed September 30, 2009 interim financial statements and MD&A on November 14, 2009.		*- On November 14, 2009, the issuer filed interim certificates (Form 52-109F2).*
- Filed December 31, 2009 annual financial statement and MD&A on March 15, 2010.		*- On March 15, 2010, the issuer filed annual certificates (Form 52-109F1).*
- Amended and restated the September 30, 2009 interim financial statements and MD&A on April 15, 2010.		*- On April 15, 2010 the issuer:* *1) Disclosed a material weakness relating to design in the September 30, 2009 amended and re-filed interim MD&A.* *2) Filed Form 52-109F2R Certification of re-filed interim filings* (Form 52-109F2R) *in conjunction with the refiling of the September 30, 2009 financial statements and corresponding MD&A.* *3) Amended and re-filed the 2009 annual MD&A to disclose as at December 31, 2009:* - *the material weakness relating to design and operation of ICFR [and likely a weakness that is significant in DC&P]; and* - *Conclusions that ICFR [and likely DC&P] is "ineffective".* *4) Filed Form 52-109F1R Certification of re-filed annual filings* (Form 52-109F1R) *in conjunction with the re-filed annual MD&A.*
- The material weakness related to the refiling was remediated on June 30, 2010. - Filed June 30, 2010 interim financial statements and MD&A on August 14, 2010.		*- On August 14, 2010 the issuer:* *1) Filed interim certificates (Form 52-109F2)* *2) Disclosed in the June 30, 2010 MD&A the changes made to ICFR during the period.*

Other considerations

Venture issuers that re-file financial statements to correct an accounting error should be cautious if they voluntarily discuss the design or operation of DC&P or ICFR in their re-filed MD&A. We would expect these issuers to disclose that DC&P or ICFR are ineffective for the same reasons as noted above.

E – MD&A disclosure relating to the impact of IFRS on ICFR and DC&P

The transition to IFRS from Canadian GAAP may have a material impact on issuers' ICFR and DC&P due to changes in both accounting policies and in financial reporting disclosure requirements. In this year's review, staff assessed the quality of issuers' IFRS transition disclosure relating to ICFR and DC&P. As specified in CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standard*s (CSA Staff Notice 52-320), investors need meaningful information about the transition to IFRS.

CSA Staff Notice 52-320 provides guidance on the requirement in Form 51-102F1 *Management's Discussion & Analysis* for an issuer's disclosure of expected changes in accounting policies related to the IFRS transition for the three years before the changeover to IFRS. CSA Staff Notice 52-320 indicates that an issuer's IFRS changeover plan may address the impact of IFRS on ICFR and DC&P if it is a key element of the IFRS transition plan. Key elements should be discussed in the issuer's MD&A.

We reviewed MD&A disclosure relating to the IFRS transition of all non-venture issuers in our sample. A total of 79% of non-venture issuers reviewed identified in their MD&A accounting policy differences, including choices among policies permitted under IFRS. For those issuers we noted the following:

- 46% did not discuss the impact of the IFRS transition on their DC&P and ICFR in their MD&A;
- 37% provided generic disclosure of the impact of the IFRS transition on their DC&P and ICFR; and
- 17% provided entity-specific disclosure of the impact of the IFRS transition on their DC&P and ICFR.

Considerations for assessing ICFR and DC&P

Part 6 of 52-109CP directs issuers to identify the risks that could reasonably result in a material misstatement in the financial information. To address these risks appropriately, an issuer may need to establish specific ICFR and DC&P or modify existing ICFR and DC&P in order to prepare its financial statements in accordance with IFRS. We suggest issuers assess whether they have appropriate controls over the transition process and the preparation of IFRS compliant financial information.

We encourage issuers to review the adequacy of their ICFR to ensure the information on how the transition from Canadian GAAP to IFRS affected their reported financial position, financial performance and cash flows is reliable.

Disclosure requirements

NI 52-109 requires non-venture issuers to establish and maintain ICFR and DC&P. Paragraph 7 of Form 52-109F1 and paragraph 6 of Form 52-109F2 require certifying officers to certify that the issuer disclosed in its MD&A any change in the issuer's ICFR that occurred during the period that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR. Therefore, any change in the issuer's ICFR relating to IFRS that will materially affect, or is reasonably likely to materially affect, the issuer's ICFR must be disclosed in the period in which the change first impacts the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

Future Action

While we found moderate levels of improvement in compliance with NI 52-109 since last year's review, further focus on the Certification Instrument by issuers and their certifying officers will help compliance. Compliance with NI 52-109 will enhance investors' confidence in the quality, reliability and transparency of the annual filings, interim filings and other materials that issuers file or submit under securities legislation.

We will continue to review issuers' compliance with the Certification Instrument as part of our overall continuous disclosure review program and we will take action when deficiencies are identified.

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1.1.6 OSC Staff Notice 81-712 – 2010 Investment Funds Branch Annual Report

OSC Staff Notice 81-712 – *2010 Investment Funds Branch Annual Report* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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OSC Staff Notice 81-712

2010

Investment Funds Branch Annual Report

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Introduction

Introduction

This is the first Investment Funds (IF) Branch annual report. This report provides an overview of the key activities and initiatives of the IF Branch for the 2010 fiscal year (April 1, 2009 to March 31, 2010) including:

- key policy initiatives,
- disclosure and compliance reviews, and
- recent developments in staff practices.

The report also provides some updates on the foregoing where there have been new developments since the end of the fiscal year.

The IF Branch of the Ontario Securities Commission (OSC) is responsible for overseeing over 3159 publicly-offered investment funds. Approximately $517 billion of assets are held by publicly-offered investments funds based in Ontario. This represents 80% of the approximately $644 billion in publicly-offered investment fund assets in Canada.

We administer the regulatory framework for investment funds, including:

- reviewing and assessing product disclosure for all types of investment funds, including prospectuses and continuous disclosure filings,
- considering applications for discretionary relief from securities legislation and rules, and
- taking a leadership role in developing new rules and policies to adapt to the changing environment in the investment fund industry.

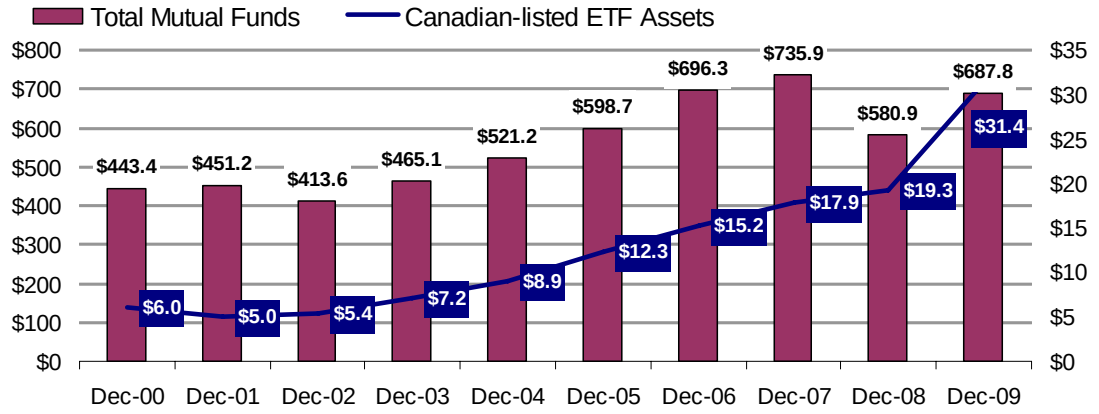
The investment fund products we oversee include conventional mutual funds, closed-end funds and mutual funds (including index based funds) listed and posted for trading on a stock exchange (ETFs), commodity pools, scholarship plans, labour-sponsored or venture capital funds and flow-through limited partnerships.

We generally distinguish between conventional mutual funds and non-conventional investment funds on the basis of how an investor can obtain liquidity for their investment. Conventional mutual funds provide investors with the right to obtain their proportionate share of a fund's net asset value (NAV) on demand. Non-conventional funds, such as closed-end funds and ETFs, generally provide investors with liquidity by listing their securities on a stock exchange or through an alternative redemption feature that may not permit investors to redeem on demand or that is at

a discount to NAV. We discuss the different types of funds further on our website www.osc.gov.on.ca at Investment Funds - Fund Operations.

In the last ten years, offerings of non-conventional mutual funds, particularly ETFs, have proliferated. The number of ETFs has grown from 3 in December 2000 to 109 in December 2009 to 146 at the end of June 2010. ETF assets under management have grown at a much faster rate than conventional mutual funds and increased over 500% from approximately $6 billion in December 2000 to over $30 billion in December 2009.

Total Mutual Funds and ETF Assets
In billions of dollars



Source: Investor Economics

The dynamic nature of the investment funds industry requires IF staff to constantly adapt and respond to rapid product developments and innovations. In all aspects of investment funds regulation, we strive to be effective and responsive and to achieve and enhance investor protection.

This report provides information about some of the initiatives we are undertaking to promote clear and concise disclosure in order to assist investors to make more informed investment decisions and to address the sufficiency of regulatory coverage across all investment fund products. The report also highlights recent product and market developments and our regulatory response to these developments to assist the investment fund industry in understanding and complying with current regulatory requirements.

1. Key Policy Initiatives

1. Key Policy Initiatives

We continue to play a leading role in several significant policy initiatives with other securities regulators in Canada through the Canadian Securities Administrators (the CSA). We also work with colleagues in other OSC branches on various initiatives that impact the fund industry.

This section reports on the status of significant policy initiatives including:

- the CSA's point of sale project,
- the CSA's scholarship plan project, and
- the CSA's project to modernize investment fund product regulation.

This section also reports on other projects we have worked on with other OSC branches that impact the fund industry including:

- CSA National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103),
- CSA National Instrument 23-102 *Use of Client Brokerage Commissions* (NI 23-102),
- CSA Implementation of International Financial Reporting Standards, and
- Amendments to the TSX Company Manual.

1.1 Point of Sale (POS)

The CSA POS project is a continuation of the project begun by securities and insurance regulators to harmonize the disclosure regime of mutual funds and segregated funds, as described in the Framework paper published by the Joint Forum of Financial Market Regulators (the Joint Forum) on October 24, 2008.

The Joint Forum focussed on three principles:

- providing investors with key information about a fund,
- providing the information in a simple, accessible, and comparable format, and
- providing the information before investors make their decision to buy.

This is a significant investor protection initiative. Central to the proposal is the Fund Facts document. It is a short and concise document written in plain language that highlights the potential benefits, risks and costs of investing in a mutual fund. Investors would receive a Fund

Facts at a time that is relevant to their investment decision, generally before they buy a fund for the first time.

On June 19, 2009, the CSA published proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, its Forms and Companion Policy (collectively, NI 81-101) as a first step in implementing the key concepts and principles set out by the Joint Forum. The comment period expired on October 17, 2009 and we received 54 comment letters.

The comments showed that stakeholders generally agree with the benefits of providing investors with a more meaningful and simplified form of disclosure and support the Fund Facts as a way of providing concise, plain language information that describes key elements of the mutual fund under consideration.

However, the CSA received significant comments related to operational and compliance concerns with point of sale delivery. A large number of commenters also asked the CSA to implement a point of sale disclosure regime for other types of publicly offered investment funds and other securities at the same time.

On June 16, 2010, the CSA published Staff Notice 81-319 *Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds*. The report states that the CSA remains committed to the implementation of point of sale disclosure for mutual funds. However, the CSA has decided to proceed with a staged implementation of the project. This will facilitate making the Fund Facts available to investors as soon as possible. It will also allow the CSA to further consider and consult with stakeholders on the issues related to point of sale delivery for mutual funds and the applicability of a point of sale delivery requirement for comparable investment fund products. We expect consultations to begin in 2011.

The CSA published final amendments to NI 81-101 on October 6, 2010 which completes the first stage of the implementation. This requires a mutual fund to prepare and file a Fund Facts document and have it posted to the mutual fund's or its manager's website. These rule amendments come into force January 1, 2011 with an effective date of April 8, 2011.

1.2 Scholarship Plans

We have been working with the CSA to develop proposals to update the rules that govern the formation and operation of scholarship plans, which are a type of investment fund product used by Canadians to save for their children's education.

On March 26, 2010, the CSA published proposed amendments to National Instrument 41-101 *General Prospectus Requirements* (NI 41-101) and proposed new Form 41-101F3 *Information Required in a Scholarship Plan Prospectus* that includes a new plan summary document. The proposals set out the first phase of the CSA's initiative to modernize the securities regulation of scholarship plans, which involves providing investors with a new prospectus form specifically tailored for scholarship plans.

This is an important investor-focused initiative. The number of investors in scholarship plans, particularly investors with low to modest incomes, has grown substantially since 1998 when the Government of Canada actively began encouraging saving for post-secondary education through the Canada Education Savings Grant (CESG).

We know that many investors have trouble understanding the unique features and complexity of scholarship plans. Central to the new prospectus form is the Plan Summary document. It is in plain language, will generally be no more than three pages, and highlights the potential benefits, risks and costs of investing in a scholarship plan.

The comment period for the proposed amendments to NI 41-101 expired on June 22, 2010 and 13 comment letters were received. The CSA is currently reviewing and considering all of the comments received.

The second phase of the CSA's initiative is to reformulate National Policy 15 *Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses* (NP 15) by replacing it with a new operational rule for scholarship plans. While certain aspects of scholarship plan regulation have been updated (for example, specific disclosure requirements for scholarship plans in their management reports of fund performance), a comprehensive review of NP 15 has not been conducted since the policy was put into place. We are considering issues such as investment restrictions, fees, the calculation and disclosure of performance data, sales communications, and actuarial certification for scholarship plans.

1.3 Modernization of Investment Fund Product Regulation

On June 25, 2010, the CSA published proposed amendments to National Instrument 81-102 *Mutual Funds* (NI 81-102) and National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106). These amendments focussed on Phase 1 of our proposals to modernize investment fund product regulation.

Phase 1 codifies frequently granted exemptive relief to mutual funds under NI 81-102 and NI 81-106. This includes various technical relief granted to ETFs to facilitate their trading on a stock exchange, relief to engage in short-selling, and relief to allow the commingling of cash received for purchases and redemptions of mutual fund securities with cash received for purchases and sales of other securities sold by a dealer. The codified exemptions are subject to conditions that are designed to address any potential investor protection concerns based on our experience granting the relief on a discretionary basis.

Phase 1 also proposes to introduce additional liquidity and term restrictions on investments by money market funds in short-term debt, including asset backed commercial paper (ABCP). It would also increase the transparency of such portfolio holdings for all investment funds. These proposed new requirements take into account feedback received on CSA Consultation Paper 11-405 *Securities Regulatory Proposals Stemming from the 2007-2008 Credit Market Turmoil and its Effect on the ABCP Market in Canada* and the results of our targeted reviews of money market fund managers discussed below in section 2.1.

The comment period on the Phase 1 amendments expired on September 24, 2010 and 19 comment letters were received. The CSA continues to review and consider all of the comments received.

Phase 2 of the initiative, now underway, will assess whether there are any market efficiency, fairness, or investor protection issues that arise out of the differing regulatory regimes that apply to different types of investment funds and other competing retail investment products. Phase 2 will consider what initiatives may be necessary in order to achieve more consistent, fair, and functional regulation across the investment fund product spectrum.

1.4 NI 31-103 – Registration Requirements and Exemptions

National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) came into force on September 28, 2009. The OSC's Compliance and Registrant Regulation (CRR) Branch led this significant CSA project, with IF staff providing support on issues that impacted the investment fund industry. Most notably, NI 31-103 created a new category of registration for investment fund managers that direct the business, operations, and affairs of investment funds. Registered investment fund managers are subject to new, on-going requirements on their business operations and client relationships, including capital and insurance requirements. NI 31-103 also contains the conflict of interest prohibitions that previously existed under s. 118 of the *Securities Act* (Ontario).

As part of this CSA registration reform initiative, we drafted consequential amendments to the schedules in National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107). The purpose of these amendments was to preserve the exemptions from the conflict of interest prohibitions codified under NI 81-107. We continue to work with our colleagues in the CRR Branch on various implementation issues related to NI 31-103, such as the interpretation of the investment fund manager registration requirement for non-residents.

1.5 NI 23-102 – Use of Client Brokerage Commissions – Prospectus Form Amendments

National Instrument 23-102 *Use of Client Brokerage Commissions* (NI 23-102) came into force on June 30, 2010. The OSC's Market Regulation Branch led this initiative. Our contribution included proposed consequential amendments to the investment fund prospectus disclosure forms, Form 81-101F2 and Form 41-101F2 (the Form Amendments), to coincide with the coming into force of NI 23-102.

The Form Amendments harmonize the disclosure requirements related to the use of client brokerage commissions with NI 23-102 by requiring disclosure of the nature and details of any arrangements the fund's adviser has entered into relating to the use of client brokerage commissions. While the Form Amendments replaced similar existing disclosure requirements for conventional mutual funds in Form 81-101F2, the disclosure requirement is new for all other types of investment funds that use Form 41-101F2.

1.6 International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has adopted a strategic plan to move financial reporting for Canadian publicly accountable enterprises, including investment funds, to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The OSC supports Canada's move to IFRS, a globally accepted, high quality set of accounting principles.

We have been working with the OSC's IFRS Working Group and the Office of the Chief Accountant to address what regulatory changes may be necessary to accommodate the transition to IFRS for investment funds. On October 16, 2009, the CSA published proposed amendments to NI 81-106 and related consequential amendments. The amendments include changes to accounting terms and transitional changes in order to assist filers with their conversion to IFRS. The comment period expired on January 14, 2010 and 11 comment letters were received.

The majority of the comments related to the IFRS requirement that investment funds consolidate their portfolio holdings for financial reporting purposes. This remains a significant issue for the investment fund industry as it transitions to IFRS, and it is currently a focus of the IASB. The CSA is waiting for the deliberations currently underway by the IASB on this issue to be completed before proceeding with the proposed amendments to NI 81-106.

In the interim, the AcSB issued a decision summary dated June 16, 2010 advising that it was proposing a change to the CICA Handbook so that IFRS will apply to investment companies only for financial years beginning on or after January 1, 2012 (as opposed to January 1, 2011 which is the adoption date for other publicly accountable enterprises), although early adoption would be permitted. On October 1, 2010, the AcSB published amendments to the Introduction to Part I of the CICA Handbook to reflect the foregoing. On October 8, 2010, the CSA published CSA Staff Notice 81-320 *Update on IFRS for Investment Funds*. The notice confirms that the CSA is now working towards the goal of having the necessary IFRS related amendments for investment funds in force by January 12, 2012.

1.7 Amendments to Part VI of the TSX Company Manual – Fund Mergers

We worked with staff in the Market Regulation Branch in reviewing amendments to Part VI of the Toronto Stock Exchange (the TSX) Company Manual. We recommended that the Commission approve the amendments, which came into force on August 16, 2010. The amendments codify a new securityholder voting requirement for investment funds that are listed issuers and that are the target of an acquisition. The amendments also codify two new exemptions from securityholder voting requirements in connection with acquisitions. The exemptions are based on TSX staff practice and are subject to several conditions including IRC approval.

2. Disclosure and Compliance Reviews

2. Disclosure and Compliance Reviews

On an ongoing basis, staff in the IF Branch review the prospectus and continuous disclosure filings of Ontario-based investment funds. Risk-based criteria are used to select investment funds for reviews of their disclosure documents. We may also choose to conduct targeted reviews of a particular industry segment or on a particular topic. In addition to our prospectus and continuous disclosure reviews, the IF Branch works closely with staff in the CRR Branch on issues related to fund manager compliance and identifying possible emerging issues. This can sometimes lead to us conducting joint reviews.

This section discusses:

- the findings of the focused reviews that staff in the IF Branch conducted with the CRR Branch in response to the market events of 2008-2009,
- our reviews of disclosure related to NI 81-107, and
- some observations and themes from our on-going prospectus disclosure reviews of certain types of investment funds.

2.1 Focused Reviews of Investment Funds, September 2008 – September 2009

In response to concerns emerging from the market turmoil experienced by the global financial services industry, we worked with our colleagues in the CRR Branch to conduct extensive reviews of major segments of the Canadian investment fund industry. The reviews focused on Ontario-based money market funds, non-conventional investment funds, and hedge funds. The primary purpose of the reviews was to assess fund managers' compliance with Ontario securities laws.

On January 19, 2010, in conjunction with the CRR Branch, we published OSC Staff Notice 33-733 *Report on Focused Reviews of Investment Funds, September 2008 – September 2009*. The report summarizes the findings from the responses to the questionnaires sent to each category of investment fund and from the on-site visits. It also includes suggested practices. The questionnaires and on-sites visits were used to gather information about the funds' portfolio holdings, exposure to illiquid assets, valuation methodologies, and the approaches used to manage the risk of large redemptions during the market downturn.

The report concludes that, despite the overall market downturn and its impact on the returns of many of these products during our review period, we did not observe any industry-wide

compliance issues. During our on-site visits, however, we noted some instances of non-compliance which we addressed separately with each individual fund manager.

2.2 Targeted Reviews of Independent Review Committee (IRC) Disclosure

NI 81-107, which became fully operational in November, 2007 following a one year transition period, introduced the requirement for every investment fund that is a reporting issuer to have a fully independent body, the Independent Review Committee (the IRC). The IRC's role is to oversee all decisions involving an actual or perceived conflict of interest faced by the fund manager in the operation of the fund.

In developing the instrument, the CSA recognized potential benefits or efficiencies may be derived by permitting investment funds to make limited investments in securities of related issuers or trade portfolio securities with related investment funds. Accordingly, NI 81-107 allows fund managers to engage in a limited number of related-party and self-dealing transactions that are otherwise prohibited or restricted by securities legislation. The IRC, however, must approve these transactions and the instrument also imposes objective pricing and transparency requirements on these transactions.

After NI 81-107 came into effect, the CSA continued to receive a number of applications for discretionary relief to permit related-party and self-dealing transactions beyond the exemptions codified under the rule. Each of these applications represented a subtle policy shift from the CSA's position when NI 81-107 came into force. Before proceeding any further with novel applications on a case-by-case basis, we concluded it was important to evaluate how the IRC approval mechanism is working and report back to our Commission.

Consequently, IF staff conducted a series of informal meetings with IRCs and carried out a targeted review of the continuous disclosure filings related to IRCs and NI 81-107 generally. The purpose of the meetings was to obtain informal feedback from IRC members on their experience working with the rule. The purpose of the reviews was to assess industry compliance and identify areas of the rule that may require greater clarification or oversight.

We reviewed a sample of approximately 141 investment funds from 41 fund managers, including conventional mutual funds, ETFs, scholarship plans, labour-sponsored or venture capital funds and flow-through limited partnerships. The managers varied in size from $46 million to $95 billion in assets under management.

We anticipate publishing an OSC Staff Notice which summarizes our observations and provides guidance by December, 2010.

2.3 Commodity Based Funds

We saw an increased number of new offerings for investment funds that invest all or primarily all of their assets in physical commodities such as gold, silver, platinum, or copper. This trend emerged in both conventional mutual funds and ETFs and was consistent with a global trend of new commodities-based financial products designed to enable retail investors to tap into the recent commodities boom. Our prospectus reviews of these products focused on ensuring there was proper disclosure to investors. In particular, we raised comments designed to improve disclosure regarding:

- risks associated with investing in a single commodity,
- the potential for increased transaction and custodian costs, and
- the experience of the custodian.

2.4 Closed-end Fund Conversions

IF staff also noted an increase in the number of closed-end investment funds that trade on an exchange with investment objectives to automatically convert to open-end mutual funds. Typically, the conversion occurs in one of two ways: automatically at a specified date (for example, two years from the fund's inception); or if the fund trades at a certain discount (often 2%) to NAV for a period of time after a specified date.

In our prospectus reviews of these products and the conversion feature generally, we have focused on whether the funds continue to have the same or substantially similar investment objectives and strategies before and after the conversion. We have generally taken the view that these products should be compliant with the regulatory requirements applicable to conventional mutual funds from inception if they intend to convert to a mutual fund within a relatively short timeframe. Our reviews of these products also focused on improving key disclosure to investors. The key areas of disclosure are:

- the potential that these products will trade at a discount to NAV up to the time of conversion,
- fees for investors both before and after the fund converts to a mutual fund,
- identification of the objective or value to investors of investing in a closed-end fund that will convert in the short-term to a mutual fund,

- the risks associated with the conversions, including that the closed-end fund may have to amend its investment objective or strategies upon conversion to a mutual fund, and
- performance disclosure for periods before and after conversion.

Our prospectus reviews have helped inform Phase 2 of the CSA's project to modernize investment fund product regulation, by identifying some of the issues that arise from having different regulatory regimes for different types of investment fund products.

We anticipate publishing an OSC Staff Notice shortly which sets out our views on the regulatory issues we have identified related to closed-end investment fund conversions and the types of comments IF staff will generally raise as part of our review.

2.5 Daily Leveraged Exchange Traded Funds

We continued to see a number of new ETF offerings – daily leveraged ETFs in particular. Daily leveraged ETFs are exchange-traded investment funds that provide daily investment results that correspond to a multiple of an underlying index. For instance, a leveraged ETF's investment objective may be to provide a return that is equal to two times the daily return of the S&P/TSX 60 index or two times the inverse of the daily return of the S&P/TSX 60 index.

A key issue with daily leveraged ETFs is that some investors do not understand that over periods longer than a day, the return of the fund may differ significantly from its underlying index. This effect becomes more pronounced as the amount of leverage, the time period the daily leveraged ETF is held, and the volatility of the underlying index, increase.

We met with manufacturers of daily leveraged ETFs to express the concern that investors may not be adequately informed regarding the unique risks associated with daily leveraged ETFs. In the course of the prospectus renewals for a number of these products, we also requested that a plainly worded, brief warning in bold type be added to the cover page of the prospectus, advising of the risks of investing in daily leveraged ETFs for periods longer than a day.

2.6 Long-term Warrant Offerings

We have noted an increased number of long-term warrant offerings. Investment funds typically provide existing investors with a stand-alone right or warrant at no charge under these offerings, but the investor must pay a price to exercise the warrant to obtain another unit of the investment fund. IF staff discussed these types of offerings previously in the September 2008 publication of the Investment Funds Practitioner.

A distinguishing feature of these offerings is that the exercise period of the warrants can range from 6 months to up to a year or longer. A further distinguishing feature is that the exercise price of the warrant is often higher than the current price at which an investor could obtain a unit of the fund on a stock exchange. Normally, the exercise price in a conventional short-term rights offering is at a discount to the current market price to encourage existing investors to subscribe.

The extended exercise period and pricing terms in long-term warrant offerings increase the possibility that the warrant could be traded to another investor that is not an existing unitholder. Consequently, our prospectus reviews of these offerings have focussed on what disclosure and rights will be provided to investors that exercise warrants under these offerings. We have generally sought confirmation that:

- the prospectus for the offering qualifies the underlying securities that the warrants can be exercised into in addition to the warrants themselves, as required by s 4.2(a) of NI 45-101 – *Rights Offerings*, and
- the filer intends to deliver the prospectus upon exercise of the warrant where it has been traded to another investor and the exercise period is more than 6 months.

2.7 Income Trust Funds – Change in Investment Objectives and Voting Rights

The federal government has announced changes to the taxation of distributions of publicly-traded income trusts which take effect in 2011. Consequently, many income trusts are converting back to corporations or pursuing other strategic alternatives. This change impacted mutual funds that invest in income trust securities as the number of income trusts in which they could invest continued to shrink.

A number of conventional mutual funds with the objective to invest primarily in income trust securities were created when income trusts were popular. We saw a number of these mutual funds address the decline in available income trusts by changing their investment objectives to broaden their ability to invest in other types of securities. IF staff reviewed prospectus amendments and renewals filed by these funds to confirm that the disclosure indicated that investors would be provided with the right to vote on the proposed change in investment objective as required under NI 81-102.

3. Recent Developments in Staff Practices

3. Recent Developments in Staff Practices

We continue our efforts to be transparent regarding the IF Branch's practices and procedures in as timely a manner as possible. Our intent in doing so is to better enable fund managers and their advisors to avoid potential regulatory issues when they are at the planning stage for a new fund or transaction. Our primary transparency tools are staff notices and the Investment Funds Practitioner newsletter.

3.1 OSC Staff Notice 81-710 – Approvals for Change in Control of a Mutual Fund Manager and Change of a Mutual Fund Manager under National Instrument 81-102 Mutual Funds

In our review of applications for regulatory approval of a change in control of the manager of a mutual fund, we saw an increasing number of applications that appeared to have been structured to effect a change of manager of the mutual fund without seeking the requisite securityholder approval.

For example, we saw that some fund managers were taking the view that a change of control of manager followed by an amalgamation either immediately after, or within a foreseeable period of time following, the change in control did not trigger the voting rights provided under NI 81-102 for a change of fund manager.

To inform issuers and their counsel of our concerns and the types of questions we may ask in reviewing such applications, we published on May 14, 2010, OSC Staff Notice 81-710 *Approvals for Change in Control of a Mutual Fund Manager and Change of a Mutual Fund Manager under National Instrument 81-102 Mutual Funds*.

3.2 The Investment Funds Practitioner

The Practitioner is an overview of recent issues arising from applications for discretionary relief, prospectuses, and continuous disclosure documents that investment funds file with the OSC and that are reviewed by IF staff. It is intended to assist investment fund managers and their advisors who regularly prepare public disclosure documents and applications for exemptive relief on behalf of investment funds.

The Practitioner is also intended to make fund managers more broadly aware of some of the issues we have raised in connection with our reviews and how we have resolved them. The Practitioner can be found on our website www.osc.gov.on.ca at Information for Investment Funds.

In January, we published the fourth edition of the Investment Funds Practitioner. Topics included:

- NI 81-107 and the Conflicts Provisions
- Mergers and Reorganizations
- Timing for Obtaining a Prospectus Receipt
- Two-tiered Structured Products
- Yield Disclosure in Prospectuses
- Prospectus Lapse Dates
- Auditor Consents

We intend to publish the fifth edition of the Investment Funds Practitioner this fiscal year. We welcome suggestions for future topics. Possible topics may include:

- Secondary Managed Account Prospectus Relief
- Custodians and Prime Brokers for Funds using NI 41-101
- Inter-fund Trades of Illiquid Securities
- Deeming to Have Ceased to be a Reporting Issuer Applications and Filing the Last Set of Financial Statements
- ETFs/Index Participation Units and Investment Objectives - Naming the Index

4. Further Information

4. Further Information

If you have any questions regarding, or feedback on, our first IF Branch Report, please send them to investmentfunds@osc.gov.on.ca.

You may find additional information regarding investment funds and the IF Branch on our website.

We have also attached a list of IF Branch staff at the end of this report.

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ONTARIO SECURITIES COMMISSION

OSC Staff Notice 81-712

Ontario

As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial Securities Act, the provincial Commodity Futures Act and administers certain provisions of the provincial Business Corporations Act. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

1.1.7 Notice of Completion of Staff Review of Proposed Changes

CHI-X CANADA ATS
NOTICE OF COMPLETION OF STAFF REVIEW OF PROPOSED CHANGES

Chi-X Canada ATS Limited has announced its plans to implement changes to its Form 21-101F2 introducing the ability for its subscribers to designate orders as attributed on an order-by-order basis (proposed changes). A notice describing the proposed changes was published in accordance with OSC Staff Notice 21-703 - *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems* on September 3, 2010 in this Bulletin. Pursuant to OSC Staff Notice 21-703, market participants were also invited by OSC staff to provide the Commission with feedback on the proposed changes. No comments were received.

OSC staff have completed their review of the proposed changes and have no further comment. Chi-X Canada ATS is expected to publish a notice indicating the intended implementation date of the proposed changes.

1.2 Notices of Hearing

1.2.1 Uranium308 Resources Inc. et al. – ss. 37, 127

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC.,
MICHAEL FRIEDMAN, GEORGE SCHWARTZ,
PETER ROBINSON, and SHAFI KHAN

NOTICE OF HEARING
(Sections 37 and 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 37 and 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), at the offices of the Commission located at 20 Queen Street West, Toronto, 17th Floor, on October 8, 2010 at 11:00 am or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission and Uranium308 Resources Inc. and Michael Friedman;

BY REASON OF the allegations set out in the Statement of Allegations of Staff of the Commission dated March 2, 2010 and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel, if that party attends or submits evidence at the hearing;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 7th day of October, 2010.

"John Stevenson"
Secretary to the Commission

1.3 News Releases

1.3.1 More than Half of Canadian Investors Feel They Will Have Enough Money for Retirement

FOR IMMEDIATE RELEASE
October 12, 2010

MORE THAN HALF OF CANADIAN INVESTORS FEEL
THEY WILL HAVE ENOUGH MONEY FOR RETIREMENT

Calgary – Canadian investors are twice as likely to believe they will have enough money to meet their retirement needs (62 per cent) as compared to their non-investing counterparts (31 per cent). This is just one of the findings in the 2010 Canadian Securities Administrators (CSA) Survey on Retirement and Investing released today.

The survey was released as part of Investor Education Month in October. Conducted by Ipsos Reid on behalf of the CSA, the online survey asked 2,318 Canadian adults about their financial readiness for retirement and behaviour towards investment opportunities. CSA members will use the results of this survey to research, develop and enhance investor tools and resources based on the needs of Canadian investors.

"As securities regulators, our goal is to create an environment where Canadians feel confident to invest in Canada's capital markets," says Jean St-Gelais, Chair of the CSA "We are pleased to see that Canadians are investing as part of their retirement plan."

The survey also found that 71 per cent of Canadian investors say they've done research on their last investment opportunity, either themselves (31 per cent) or through their financial adviser (40 per cent). Furthermore, when it comes to recommendations on high return investments from friends and family most Canadians would do more research before investing.

"We've been working hard to provide the tools and resources to help Canadians make important investment decisions," says St-Gelais. "So we're encouraged to see Canadians recognize the importance of researching investment opportunities, no matter who makes the recommendation."

Investors can visit the CSA website to find information and tools about investing, choosing an adviser, and checking if an individual or company is registered with their local securities regulator. This information, along with the full 2010 CSA Survey on Retirement and Investing is available at www.securities-administrators.ca.

The survey took place between August 16 and 19, 2010 and has an estimated margin of error of +/-2.4 percentage points 19 times out of 20.

The CSA, the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

For more information:

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1.4 Notices from the Office of the Secretary

1.4.1 Uranium308 Resources Inc. et al.

FOR IMMEDIATE RELEASE
October 7, 2010

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC.,
MICHAEL FRIEDMAN, GEORGE SCHWARTZ,
PETER ROBINSON, and SHAFI KHAN

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission and Uranium308 Resources Inc. and Michael Friedman.

The hearing will be held on October 8, 2010 at 11:00 a.m. in Hearing Room C on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated October 7, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1-877-785-1555 (Toll Free)

1.4.2 Mega-C Power Corporation et al.

FOR IMMEDIATE RELEASE
October 7, 2010

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

AND

IN THE MATTER OF
MEGA-C POWER CORPORATION,
RENE PARDO, GARY USLING,
LEWIS TAYLOR SR., LEWIS TAYLOR JR.,
JARED TAYLOR, COLIN TAYLOR AND
1248136 ONTARIO LIMITED

TORONTO – The Commission issued an Order in the above matter which provides that the sanctions and costs hearing will commence on Tuesday, December 7, 2010, at 2:00 p.m., and continue, if necessary, on Wednesday, December 8, 2010, at 10:00 a.m., or such other dates as agreed by the parties and fixed by the Office of the Secretary.

The Order dated September 28, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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1.4.3 Ameron Oil and Gas Ltd. and MX-IV, Ltd.

FOR IMMEDIATE RELEASE
October 7, 2010

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

AND

IN THE MATTER OF
AMERON OIL AND GAS LTD.
AND MX-IV, LTD.

TORONTO – Further to the Order issued by the Commission on April 20, 2010 which provides that (1) pursuant to subsections 127 (7) and (8) of the Act, the Temporary Order is extended to October 14, 2010; and (2) the hearing in this matter is adjourned to October 13, 2010, at 10:00 a.m.

Please take notice that the hearing in this matter will commence at 9:30 a.m. on October 13, 2010 in Hearing Room C.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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For investor inquiries:

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1-877-785-1555 (Toll Free)

1.4.4 Abel Da Silva

FOR IMMEDIATE RELEASE
October 7, 2010

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

AND

IN THE MATTER OF
ABEL DA SILVA

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing with respect to the Notice of Hearing and Staff's Amended Statement of Allegations dated September 20, 2010 be adjourned to October 26, 2010 at 2:30 p.m. for the purpose of having a confidential pre-hearing conference and that the hearing on the merits in this matter be set down for November 29, 2010 at 10:00 a.m.

A copy of the Order dated October 5, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Theresa Ebden
Senior Communications Specialist
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1.4.5 IBK Capital Corp. and William F. White

FOR IMMEDIATE RELEASE
October 7, 2010

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

AND

IN THE MATTER OF
IBK CAPITAL CORP. and WILLIAM F. WHITE

TORONTO – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and IBK Capital Corp. and William F. White.

A copy of the Order dated October 7, 2010 and Settlement Agreement dated October 5, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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1.4.6 Uranium308 Resources Inc. and Michael Friedman

FOR IMMEDIATE RELEASE
October 12, 2010

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC.
AND MICHAEL FRIEDMAN

TORONTO – Following a hearing held on October 8, 2010, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Uranium308 Resources Inc. and Michael Friedman.

A copy of the Order dated October 8, 2010 and Settlement Agreement dated October 4, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

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Robert Merrick
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1.4.7 QuantFX Asset Management Inc. et al.

FOR IMMEDIATE RELEASE
October 13, 2010

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

AND

IN THE MATTER OF
QUANTFX ASSET MANAGEMENT INC.,
VADIM TSATSKIN, LUCIEN SHTROMVASER
AND ROSTISLAV ZEMLINSKY

TORONTO – The Commission issued an order in the above named matter which provides that, pursuant to subsections 127 (7) and (8) of the Act, the Temporary Order is extended to November 19, 2010; and the Hearing is adjourned to November 18, 2010, at 10:00 a.m.

A copy of the Order dated October 13, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.8 Barry Landen

FOR IMMEDIATE RELEASE
October 13, 2010

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

AND

IN THE MATTER OF
BARRY LANDEN

TORONTO – Following the hearing held on February 22, 2010, the Panel released its Reasons for Decision and an Order in the above noted matter.

A copy of the Reasons for Decision and Order dated October 12, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:

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Robert Merrick
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 CIBC Asset Management Inc. and Canadian Imperial Bank of Commerce

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions - Relief granted from sections 2.5(2)(a) and (c) of National Instrument 81-102 Mutual Funds to permit mutual funds to invest up to 10% of net assets in leveraged ETFs, inverse ETFs, gold ETFs and leveraged gold ETFs traded on Canadian or US stock exchanges, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, paragraph 2.5(2)(a), 2.5(2)(c) and section 19.1.

October 1, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF ONTARIO
(THE JURISDICTION)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

CIBC ASSET MANAGEMENT INC. (THE MANAGER)

AND

CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)
(THE FILERS)

DECISION

BACKGROUND

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for

(a) an exemption (the **Silver Exemption**) relieving the existing and future mutual funds managed by the Filers or an affiliate of the Filers that are subject to National Instrument 81-102 *Mutual Funds* (**NI 81-102**) other than CIBC Precious Metals Fund, CIBC Canadian Resources Fund and money market funds as defined in NI 81-102 (the **Existing Funds** and the **Future Funds**, respectively, together, the **Funds** and individually, a **Fund**) from the prohibitions contained in paragraphs 2.3(f) and 2.3(h) of NI 81-102 to permit each Fund to

(A) purchase and hold silver,

(B) purchase and hold a certificate that represents silver that is:

(I) available for delivery in Canada, free of charge, to or to the order of the holder of the certificate;

(II) of a minimum fineness of 999 parts per 1,000;

(III) held in Canada;

(IV) in the form of either bars or wafers; and

(V) if not purchased from a bank listed in Schedule I, II or III of the Bank Act (Canada), fully insured against loss and bankruptcy by an insurance company licensed under the laws of Canada or a province or territory of Canada,

(**Permitted Silver Certificates**)

(C) purchase, sell or use a specified derivative, the underlying interest of which is silver or a specified derivative of which the underlying interest is silver on an unlevered basis

(**Silver Derivatives**, which together with silver and Permitted Silver Certificates is hereinafter referred to as **Silver**),

(b) an exemption (the **ETF Exemption**) relieving the Funds from the prohibitions contained in paragraphs 2.3(h), 2.5(2)(a) and 2.5(2)(c) of NI 81-102, to permit each Fund to purchase and hold securities of

(i) exchange-traded funds (**ETFs**) that seek to provide daily results that replicate the daily performance of a specified widely-quoted market index (the ETF's **Underlying Index**) by a multiple of 200% (**Leveraged Bull ETFs**) or an inverse multiple of 200% (Leveraged Bear ETFs, which together with Leveraged Bull ETFs are referred to collectively in this decision as **Leveraged ETFs**);

(ii) ETFs that seek to provide daily results that replicate the daily performance of their Underlying Index by an inverse multiple of 100% (**Inverse ETFs**);

(iii) ETFs that seek to replicate the performance of gold or silver or the value of a specified derivative the underlying interest of which is gold or silver on an unlevered basis; and

(iv) ETFs that seek to provide daily results that replicate the daily performance of gold or silver or the value of a specified derivative the underlying interest of which is gold or silver on an unlevered basis (the ETF's **Underlying Gold or Silver Interest**), by a multiple of 200% (**Leveraged Gold ETFs** and **Leveraged Silver ETFs**, respectively),

(the ETFs referred in paragraph (b)(iii) above, Leveraged Gold ETFs and Leveraged Silver ETFs are referred to collectively in this decision as the **Gold and Silver ETFs**, which together with Leveraged ETFs and Inverse ETFs are referred to collectively in this decision as the **Underlying ETFs**); and

(c) revocation of the decision document granted by the principal regulator on July 20, 2010 (the **Previous Decision**), insofar as the Previous Decision applied to the Filers and the Funds (other than CIBC Precious Metals Fund, CIBC Canadian Resources Fund and money market funds as defined in NI 81-102) (the **Revocation Relief**).

The Silver Exemption, the ETF Exemption and the Revocation Relief are collectively, the **Exemption Sought**.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

1. the Ontario Securities Commission is the principal regulator for this application; and

2. the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 Passport System (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territories and Nunavut (collectively with the Jurisdiction, **the Jurisdictions**).

INTERPRETATION

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning in this decision unless otherwise defined.

REPRESENTATIONS

This decision is based on the following facts represented by the Filers:

The Filers and the Funds

1. The Manager is a corporation organized under the laws of Canada and is registered as a portfolio manager in all provinces and territories of Canada.

2. The head office of the Manager is located in Ontario.

3. CIBC is a Canadian chartered bank and has its head office located in Toronto, Ontario.

4. A Filer or an affiliate of the Filers is the manager of each of the Existing Funds, and will be the manager of each of the Future Funds. A Filer or an affiliate of the Filers is the portfolio manager of, or has appointed a portfolio manager for, each of the Existing Funds, and will be the portfolio manager of, or will appoint a portfolio manager for, each of the Future Funds.

5. Each Existing Fund is, and each Future Fund will be: (a) an open-ended mutual fund established under the laws of Canada or a Jurisdiction, (b) a reporting issuer under the laws of some or all of the Jurisdictions, and (c) governed by the provisions of NI 81-102.

6. Securities of each Existing Fund are, and securities of each Future Fund will be, qualified for distribution in some or all of the Jurisdictions under a simplified prospectus and annual information form prepared in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) and filed with and receipted by the securities regulators in the applicable Jurisdiction(s).

7. Neither the Filers nor any of the Existing Funds is in default of securities legislation in the Jurisdictions.

8. Upon obtaining the Exemption Sought, the Funds will not rely on the Previous Decision.

Investments in Gold and Silver

9. In addition to investing in gold, the Funds propose to have the ability to invest in Silver.

10. To obtain exposure to gold or silver indirectly, the Filers intend to use specified derivatives the underlying interest of which is gold or silver and invest in the Gold and Silver ETFs (which together with gold, silver, permitted gold certificates and Permitted Silver Certificates are referred to collectively in this decision as **Gold and Silver Products**).

11. NI 81-102 allows mutual funds to purchase gold or permitted gold certificates or enter into a specified derivative the underlying interest of which is gold, in its recognition that gold is a fairly liquid commodity. The Filers are requesting a similar investment flexibility that would permit a Fund to make investments in silver, based on the same rationale applied for gold and its liquidity.

12. The Filers believe that the markets in gold and silver are highly liquid, and there are no liquidity concerns with permitting a Fund to invest in Gold and Silver Products.

13. Permitting a Fund to invest in Gold and Silver Products, will provide the portfolio manager additional flexibility to increase gains for the Fund in certain market conditions, which may have otherwise caused the Fund to have significant cash positions and therefore deter from its ability to achieve its investment objective.

14. If the investment in Gold and Silver Products represents a material change for any Existing Fund, the Filers will comply with the material change reporting obligations for that Fund.

15. Any investment by a Fund in Silver will be made in compliance with the custodian requirements in Part 6 of NI 81-102.

The Underlying ETFs

16. Each Leveraged ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed +/-200% of the corresponding daily performance of its Underlying Index.

17. Each Inverse ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Index will not exceed -100% of the corresponding daily performance of its Underlying Index.

18. Each Leveraged Gold ETF and Leveraged Silver ETF will be rebalanced daily to ensure that its performance and exposure to its Underlying Gold or Silver Interest will not exceed +200% of the corresponding daily performance of its Underlying Gold or Silver Interest.

19. In addition to investing in securities of ETFs that are “index participation units” as defined in NI 81-102 (**IPUs**), the Funds propose to have the ability to invest in the Underlying ETFs, whose securities are not IPUs.

20. The amount of the loss that can result from an investment by a Fund in an Underlying ETF will be limited to the amount invested by the Fund in securities of the Underlying ETF.

Investment in IPUs, the Underlying ETFs and Silver

21. Each Existing Fund is, and each Future Fund will be, permitted, in accordance with its investment objectives and investment strategies, to invest in Underlying ETFs and Silver.

22. The Underlying ETFs and Silver are attractive investments for the Funds as they provide an efficient and cost effective means of achieving diversification in addition to any investment in gold.

23. But for the Silver Exemption, paragraph 2.3(f) of NI 81-102 would prohibit a Fund from purchasing Silver.

24. But for the Silver Exemption, paragraph 2.3(h) of NI 81-102 would prohibit a Fund from entering into Silver Derivatives.

25. But for the ETF Exemption, paragraph 2.3(h) of NI 81-102 would prohibit a Fund from purchasing a Silver ETF or a Leveraged Silver ETF.

26. But for the ETF Exemption, paragraph 2.5(2)(a) of NI 81-102 would prohibit a Fund from purchasing or holding a security of an Underlying ETF, because the Underlying ETFs are not subject to both NI 81-102 and NI 81-101.

27. But for the ETF Exemption, paragraph 2.5(2)(c) of NI 81-102 would prohibit a Fund from purchasing or holding securities of some Underlying ETFs, because some Underlying ETFs will not be qualified for distribution in the local jurisdiction.

28. An investment by a Fund in securities of an Underlying ETF and/or Silver will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Fund.

29. The simplified prospectus of each Fund discloses, or will disclose the next time it is renewed after the date hereof, (i) in the Investment Strategy section of the prospectus, the fact that the Fund has obtained relief to invest in the Underlying ETFs and Silver, together with an explanation of what each Underlying ETF is, and (ii) the risks associated with investments in the Underlying ETFs and Silver.

DECISION

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

(a) the investment by a Fund in securities of an Underlying ETF and/or Silver is in accordance with the fundamental investment objectives of the Fund;

(b) a Fund does not short sell securities of an Underlying ETF;

(c) the securities of the Underlying ETFs are traded on a stock exchange in Canada or the United States;

(d) the securities of the Underlying ETFs are treated as specified derivatives for the purposes of Part 2 of NI 81-102;

(e) a Fund does not purchase securities of an Underlying ETF if, immediately after the purchase, more than 10% of the net assets of the Fund in aggregate, taken at market value at the time of the purchase, would consist of securities of Underlying ETFs;

(f) a Fund does not enter into any transaction if, immediately after the transaction, more than 20% of the net assets of the Fund, taken at market value at the time of the transaction, would consist of, in aggregate, securities of Underlying ETFs and all securities sold short by the Fund;

(g) a Fund does not purchase Gold and Silver Products if, immediately after the transaction, more than 10% of the net assets of the Fund, taken at market value at the time of the transaction, would consist of Gold and Silver Products; and

(h) a Fund does not purchase Gold and Silver Products if, immediately after the transaction, the market value exposure to gold or silver through the Gold and Silver Products is more than 10% of the net assets of the Fund, taken at market value at the time of the transaction.

"Vera Nunes"
Assistant Manager, Investment Funds
Ontario Securities Commission

2.1.2 Enerplus Resources Fund and Enerplus Exchangeable Limited Partnership

Headnote

MI 11-102 and NP 11-203 – business combination – conversion of publicly traded income fund into corporate entity – MI 61-101 requires minority approval if conversion is a business combination – conversion is not a business combination for publicly traded fund, but is technically a business combination for a holding company in the fund's structure – relief granted to limited partnership from complying with the minority approval requirement provided certain conditions met.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System.
National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions.
Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions.

October 4, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO (the "Jurisdiction")

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
ENERPLUS RESOURCES FUND AND
ENERPLUS EXCHANGEABLE LIMITED PARTNERSHIP
(the "Fund" and "EELP", respectively
and, together, the "Filers")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction (the **"Legislation"**) that the requirement set out in Section 4.5 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**"MI 61-101"**) that an issuer obtain minority approval for a business combination shall not apply to EELP with respect to the proposed conversion of the Fund to a corporate structure (the **"Conversion Transaction"**) (the foregoing referred to as the **"Exemption Sought"**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application (the **"Decision Maker"**), and

(b) the Filers have provided notice that Section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**"MI 11-102"**) is intended to be relied upon in Québec.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filers:

1. The Fund is an unincorporated trust governed by the laws of Alberta. The Fund was established in 1986. The principal office of the Fund is located in Calgary, Alberta.

2. The beneficial interests in the Fund are represented by trust units (**"Fund Units"**), and the Fund is also authorized to issue a Special Voting Right, described in further detail below. The Fund Units carry a right to receive distributions and an interest in the net assets of the Fund in the event of a termination or winding up of the Fund. The Fund Units are listed on the Toronto Stock Exchange under the trading symbol "ERF.UN" and on the New York Stock Exchange under the symbol "ERF". As of September 30, 2010, there were 176,358,694 issued and outstanding Fund Units.

3. EELP is a limited partnership formed under the laws of Alberta. The general partner of EELP is EnerMark Inc., an Alberta corporation which is indirectly wholly-owned by the Fund.

4. EELP has two classes of limited partnership units: (i) Class A limited partnership units, which represent the voting interests in EELP and all of which are held indirectly by the Fund, and (ii) Class B limited partnership units (**"EELP B Units"**), which are exchangeable for Fund Units, at any time at the option of the holder and for no additional consideration, on the basis of 0.425 of a Fund Unit for each EELP B Unit. The EELP B Units were originally issued by a subsidiary of Focus Energy Trust (**"Focus"**) to certain shareholders of a private company acquired by Focus in 2006 as an alternative to receiving trust units of Focus, in order to permit such holders to achieve a tax-deferred exchange of securities for Canadian federal income tax purposes. At such time, the EELP B Units were exchangeable on a one-for-one basis into trust units of Focus. However, when the Fund acquired all of the

issued and outstanding trust units of Focus in February 2008, on the basis of 0.425 of a Fund Unit for each trust unit of Focus, the exchange ratio for which EELP B Units would be exchanged for Fund Units was similarly adjusted. As of September 30, 2010 there were 4,139,535 EELP B Units issued and outstanding, which are exchangeable into 1,759,302 Fund Units, representing only approximately 1% of the issued and outstanding Fund Units.

5. The Fund has issued the Special Voting Right to Computershare Trust Company of Canada, as voting trustee, on behalf of the holders of EELP B Units, and the Special Voting Right entitles the holder thereof to vote at all meetings of holders of Fund Units together with the holders of Fund Units and represents the number of votes that the holders of EELP B Units would have had they exchanged such units for Fund Units.

6. The EELP B Units are intended to be, to the greatest extent practicable and subject to the exchange ratio for Fund Units, the economic equivalent of Fund Units. Holders are entitled to receive distributions, to the greatest extent practicable, equal to those paid by the Fund to holders of Fund Units. Pursuant to the limited partnership agreement of EELP, holders of EELP B Units do not have voting entitlements at the EELP level, except in very limited circumstances including a transaction where the impact on the EELP B Units is not economically equivalent to the impact on the Fund Units. Under the proposed Conversion Transaction, the economic impact on the EELP B Units is identical to that of the Fund Units and accordingly no separate vote of the holders of EELP B Units is required beyond the voting rights provided by the Special Voting Right to vote together with holders of Fund Units. Accordingly, under the limited partnership agreement of EELP and the related voting and exchange agreement and support agreement, the holders of EELP B Units are to vote together with the holders of Fund Units on the Conversion Transaction.

7. There are 26 registered holders of EELP B Units, including CDS & Co. which holds approximately 67% of the EELP B Units. The EELP B Units are not listed on any exchange and, by their terms, are not transferable except upon their exchange for Fund Units and in certain other very limited circumstances.

8. Both the Fund and EELP are reporting issuers under applicable securities laws in Ontario and Québec (and all other provinces and territories of Canada). As an exchangeable security issuer, EELP is entitled, under Part 13 of National Instrument 51-102 *Continuous Disclosure Obligations* (**"NI 51-102"**) and related provisions of securities laws, to an exemption from the financial statement and other continuous disclosure requirements of NI 51-102 and certain related requirements of securities laws.

9. The Fund and EELP are now proposing to undertake the Conversion Transaction. Under the Conversion Transaction, the holders of Fund Units and EELP B Units will, if the transaction is approved by such unitholders and certain other conditions are satisfied or waived, exchange their respective units for common shares of a new corporation (**"Newco"**) established by the Fund and which, prior to the Conversion Transaction, will be a wholly-owned subsidiary of the Fund. Upon completion of the Conversion Transaction, Newco will become the successor reporting issuer, and it is intended that the Newco common shares will be listed on the Toronto Stock Exchange and the New York Stock Exchange.

10. The Conversion Transaction will be effected by a plan of arrangement under the *Business Corporations Act* (Alberta), subject to approval at a meeting of securityholders by a special resolution approved by more than 66 2/3% of votes cast by Fund Unitholders and EELP B Unitholders, voting together as a single class. The Conversion Transaction is also subject to approval by the Alberta Court of Queen's Bench.

11. Under the Conversion Transaction, all holders of Fund Units will receive one common share of Newco and all holders of EELP B Units will receive 0.425 of a common share of Newco, which is identical to the exchange ratio of EELP B Units for Fund Units.

12. The Conversion Transaction will not be a business combination, as defined in MI 61-101, for the Fund and, as such, there will be no requirement for the Fund to obtain a formal valuation or minority approval under MI 61-101 for the Conversion Transaction.

13. In the case of EELP, however, the Conversion Transaction would be a business combination, as it would not be a downstream transaction (as defined in MI 61-101) as EELP would not be a "control person" of Newco and the Conversion Transaction would result in a related party of EELP (Newco), directly or indirectly, acquiring the issuer (EELP).

14. For EELP, the Conversion Transaction would be exempt from the formal valuation requirements of Part 4 of MI 61-101, under Section 4.4(a), since no securities of EELP are listed on the specified markets. However, the Conversion Transaction would subject EELP to the requirement to obtain minority approval for the Conversion Transaction from the holders of "affected securities" of EELP, that is, the holders of EELP B Units, although no minority approval requirement would apply at the Fund level.

Decision

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemption Sought is granted provided that the conditions of subsections (e)(ii) and (e)(iii) of the definition of "business combination" in Section 1.1 of MI 61-101 are met.

"Naizam Kanji"
Deputy Director, Corporate Finance
Ontario Securities Commission

2.1.3 CIBC Global Asset Management Inc. et al.

Headnote

NP 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from the Dealer Registration Requirement to permit trades in units of prospectus-qualified funds managed by affiliate entities to clients under a discretionary managed account agreement.

Applicable Legislative Provisions

Securities Act (Ontario), ss. 25 and 74(1).

September 28, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
QUEBEC AND ONTARIO
(THE JURISDICTIONS)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CIBC GLOBAL ASSET MANAGEMENT INC.
(CGAM or THE FILER)

AND

THE IMPERIAL POOLS LISTED IN SCHEDULE A

AND

THE CIBC POOLED FUNDS LISTED IN SCHEDULE B

AND

THE RENAISSANCE FUNDS LISTED IN SCHEDULE C

DECISION

Background

The securities regulatory authority or regulator in the Jurisdictions (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) granting an exemption to the Filer from the dealer registration requirement in respect of trades in units of the mutual funds set out in Schedule A hereto (the Existing Imperial Pools) and any mutual funds established in the future as part of the group of Imperial Pools (the Future Imperial Pools and together with the Existing Imperial Pools, the Imperial Pools), the mutual funds set out in Schedule B hereto (the Existing CIBC Pooled Funds) and any mutual funds established in the future as part of the group of CIBC Pooled Funds (the Future Pooled Funds and together with the Existing CIBC Pooled Funds, the CIBC Pooled Funds), Class O units of the mutual funds set out in Schedule C

hereto (the Existing Renaissance Funds) and any mutual funds established in the future as part of the group of Renaissance Funds (the Future Renaissance Funds and together with the Existing Renaissance Funds, the Renaissance Funds) (the Imperial Pools, the CIBC Pooled Funds and the Renaissance Funds together, the Funds) to the clients of the Filer (the Requested Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Autorité des marchés financiers is the principal regulator for the application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Nunavut, Northwest Territories and Yukon; and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation incorporated under the laws of Canada and has its head office in Montreal, Quebec. The Filer is registered as an adviser in the category of portfolio manager under the securities legislation of each jurisdiction of Canada. It will be registering as an investment fund manager as it is the manager of the CIBC Pooled Funds. The Filer was registered as a limited market dealer in Ontario and Newfoundland and Labrador and automatically became an exempt market dealer (EMD) when National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) came into effect. In the jurisdictions other than Ontario and Newfoundland and Labrador, it has relied, under the transition provision in section 16.7 of NI 31-103, on the temporary exemption from the dealer registration requirement when acting in the exempt market. This temporary exemption expires on September 28, 2010.

2. If the Requested Relief is granted, the Filer will drop its EMD registration in Ontario and Newfoundland and Labrador, making its registration status consistent across all jurisdictions.

3. The Filer is not in default of the securities legislation of any jurisdiction of Canada.

The Funds

4. Each of the Funds is or will be an open-ended mutual fund trust established under the laws of the Province of Ontario.

5. The Funds are used as tools to provide the investment management services to the clients of the Filer.

6. None of the Imperial Pools or CIBC Pooled Funds pay investment management fees nor do the Renaissance Funds pay management fees in respect of their Class O units. Investment management fees of the Filer's clients are paid under the managed account agreements (Managed Account Agreements) or agreements with CGAM Fund Clients (as defined below).

7. Trades in units of the Funds on behalf of the Filer's clients, are effected through the Filer acting as the dealer, in reliance on its exempt market dealer registration in Ontario and Newfoundland and Labrador, or the temporary exemption from the dealer registration requirement in the other jurisdictions, as described above.

8. None of the Imperial Pools or CIBC Pooled Funds charge, nor do the clients pay, a sales commission or other fees in respect of trades in units of the Funds nor do the Renaissance Funds pay sales commissions in respect of their Class O units.

Imperial Pools

9. The Imperial Pools are reporting issuers in each of the jurisdictions of Canada.

10. The Imperial Pools are currently purchased in certain cases on behalf of clients of the Filer and are also purchased on behalf of managed account clients of CIBC Trust Corporation (CIBC Trust) and CIBC Private Investment Counsel Inc. (CPIC).

11. CIBC is the investment fund manager of the Imperial Pools and in that capacity provides, or arranges to provide for, the administration of each Imperial Pool. CIBC Asset Management Inc. (CAMI), an affiliate of CIBC and of the Filer, is the portfolio manager of the Imperial Pools. CAMI may retain portfolio sub-advisers, including the Filer, to provide portfolio management services to the Imperial Pools. CIBC Trust is the trustee and CIBC Mellon Trust Company is the custodian.

12. Clients of the Filer pay fees to the Filer, the Filer is responsible for paying the fees to CAMI for its

services, and CAMI in turn is responsible for the fees of any sub-adviser.

CIBC Pooled Funds

13. The CIBC Pooled Funds are not reporting issuers in the Jurisdictions.

14. The CIBC Pooled Funds are purchased on behalf of clients with a Managed Account Agreement and CGAM Fund Clients (as defined below), and are also purchased on behalf of managed account clients of CPIC.

15. The Filer is both the investment fund manager and portfolio manager of each CIBC Pooled Fund and in that capacity is responsible for the administration of each CIBC Pooled Fund and the investment decisions made on behalf of each CIBC Pooled Fund. CIBC Mellon Trust Company is the trustee and custodian.

16. Each of the CIBC Pooled Funds either pays all administration fees and expenses relating to its operation or the Filer waives and/or absorbs such fees and expenses.

Renaissance Funds

17. The Renaissance Funds are reporting issuers in each of the jurisdictions of Canada. The Class O units of the Renaissance Funds are offered to certain investors, including institutional investors or segregated funds, fund of funds and investors where dealers or discretionary managers offer separately managed accounts or similar programs. Some of these investors may not qualify for any applicable private placement exemptions.

18. Although currently there are more than 40 Renaissance Funds which may offer Class O units, Class O units of the Renaissance Funds are only rarely used for the managed accounts of clients of the Filer.

19. The Renaissance Funds are purchased by the Filer on behalf of clients with a Managed Account Agreement with the Filer.

20. CAMI is the manager of the Renaissance Funds and in that capacity provides, or arranges to provide for, the administration of each Renaissance Fund. CAMI is also the portfolio adviser of the Renaissance Funds. CAMI may retain portfolio sub-advisers, including CGAM, to provide portfolio management services to the Renaissance Funds. CAMI is the trustee and CIBC is the custodian.

21. No management fees or operating expenses are charged in respect of the Class O units of the Renaissance Funds; instead a negotiated management fee is charged by CAMI directly to, or as directed by, the Class O unitholders or the Filer on behalf of the Class O unitholders.

22. The Filer is responsible for paying the negotiated management fees to CAMI for its services and CAMI in turn is responsible for the fees of any sub-adviser.

Investment Management Services

23. CIBC is in the business of offering investment management services to both individual and institutional clients. It uses different affiliates to do so, including the Filer, in order to focus its services appropriately for the relevant client groups.

24. The principal components of the investment management services include:

    (i) advisory services specific to clients, including discussing their investment needs and goals and reflecting those in a statement of investment policy (SIP) ;

    (ii) selection of portfolio securities;

    (iii) if funds are used to carry out the client's SIP, the establishment and operation of such funds.

25. Potential clients may be referred to the Filer from within the CIBC group of companies. Referral fees are paid to firms within the CIBC group of companies for the referral of a client in relation to the value of the assets that the client transfers to the Filer. The Filer currently does not pursue external referrals to any extent.

26. When potential clients approach the Filer or are approached by the Filer through business development representatives, it is to seek or solicit investment management services including understanding how portfolios are managed generally. When the client has determined to proceed with investment management services, discussions of how the clients' own assets will be managed occur, including the ability to carry out the SIP through relevant Funds. The client understands and is looking for more than what the client would receive if the client simply purchases Funds.

27. While the various segments of the investment management services are carried out in different entities, the investment management business for each client category is one integrated business of CIBC.

28. When a client selects investment management services from the Filer, the Filer is responsible not only for know-your-client and suitability reviews like a dealer but also takes on the responsibility of

selection. There is also advice rendered to the client but, in the case of discretionary portfolio management services, the decision is clearly made by the portfolio manager and not the client. The Funds are a tool to deliver the investment management services required by the Filer, as portfolio manager, for its clients. They are not sold to investment management clients.

Institutional Clients

29. The Filer only provides investment management services to institutional clients. Such clients either approach the Filer directly or the Filer is approached by consultants acting for such clients in respect of investment management mandates. While many institutional clients have sufficient assets to have a diversified portfolio in a segregated account, some institutional clients authorize the Filer to utilize funds to carry out the investment management mandate because of their efficiency. The Filer uses the CIBC Pooled Funds for some of its institutional clients. The Imperial Pools are used by the Filer and very rarely the Renaissance Funds where there is not a comparable investment fund available in the CIBC Pooled Funds or through the Filer's portfolio managers.

30. Institutional clients will typically enter into a Managed Account Agreement with the Filer. In a few cases, clients (which will not include retail clients) will want to name the Fund(s) in which they will be invested in their agreement with the Filer (the CGAM Fund Clients). This agreement will deal with such topics as fees and reporting and functions as a subscription agreement as the client makes the final determination of the Funds to be used. Despite that difference in respect of the CGAM Fund Clients, the relationship between the Filer and all of its clients, both in seeking out the Filer and in respect of the ongoing relationship, is the same. The Filer carries on the business of advice in respect of securities with all clients. The Filer is not in the business of trading funds.

31. There is no offering document for the CIBC Pooled Funds. The CGAM Fund Clients receive a copy of the trust documents of the CIBC Pooled Funds, the general statement of investment policy of the CIBC Pooled Funds and the investment policy guidelines of the relevant CIBC Pooled Funds prior to their purchase and copies of financial statements thereafter.

32. Where the portfolio managers or an equivalent mutual fund are not available in the CIBC Pooled Funds, CGAM Fund Clients may invest in the Imperial Pools. Clients with whom the Filer has a Managed Account Agreement may be given a copy of the prospectus of the Imperial Pools; however these clients are not asked to participate in the selection of the Imperial Pools - this is done by the Filer as part of the discretionary investment mandate given to it.

Requested Dealer Relief

33. The Filer is seeking the Requested Relief for the same fundamental reasons behind the relief available pursuant to section 8.6 of NI 31-103, namely that the Filer is in the business of providing discretionary investment management services and not in the business of trading funds. No commissions or fees (other than its investment management fees payable to the Filer by its clients) are payable to the Filer on the purchase of units of the Funds, and no commissions or other fees are payable by the Filer's clients in connection with the Filer's investments in the Funds on its clients' behalf.

34. The Filer does not qualify for the relief under section 8.6 of NI 31-103 for the following reasons:

    (i) the Imperial Pools and the Renaissance Funds are not managed nor advised by the Filer, but by affiliates of the Filer;

    (ii) the Imperial Pools and the Renaissance Funds are offered by prospectus; and

    (iii) a minority of the Filer's clients choose to name the Fund(s) in their agreement with the Filer and, accordingly, do not provide full discretion to the Filer with respect to the Funds selected.

Decision

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Requested Relief is granted provided that the Filer is, at the time of trade, registered under the Legislation as an adviser in the category of portfolio manager.

Superintendent, Client Services, Compensation and Distribution,

(s) Mario Albert

SCHEDULE A

IMPERIAL POOLS

Imperial Money Market Pool
Imperial Short-Term Bond Pool
Imperial Canadian Bond Pool
Imperial Canadian Dividend Pool
Imperial International Bond Pool
Imperial Canadian Income Trust Pool
Imperial Canadian Dividend Income Pool
Imperial Global Equity Income Pool
Imperial Canadian Equity Pool
Imperial Registered U.S. Equity Index Pool
Imperial U.S. Equity Pool
Imperial Registered International Equity Index Pool
Imperial International Equity Pool
Imperial Overseas Equity Pool
Imperial Emerging Economies Pool

SCHEDULE B

CIBC POOLED FUNDS

CIBC Pooled Balanced Fund
CIBC Pooled Global Balanced Fund
CIBC Pooled Canadian Equity Fund
CIBC Pooled Canadian Equity S&P/TSX Indexed Fund
CIBC Pooled Canadian Value Fund
CIBC Pooled Fixed Income Fund
CIBC Pooled Canadian Bond Index Fund
CIBC Pooled Canadian Bond Overlay Fund
CIBC Pooled Long Term Bond Index Fund
CIBC Pooled Canadian Bond Index Plus Fund
CIBC Pooled U.S. Equity S&P500 Enhanced Index Fund
CIBC Pooled U.S. Equity S&P500 Index Fund
CIBC Pooled Canadian Money Market Fund
CIBC Pooled International Equity Index Fund
CIBC Pooled Eafe Equity Fund
CIBC Pooled Smaller Companies Fund
CIBC Pooled Commodity Fund

SCHEDULE C

RENAISSANCE FUNDS

Class O

Renaissance Asian Fund
Renaissance Canadian Asset Allocation Fund
Renaissance Canadian Balanced Fund
Renaissance Canadian Balanced Value Fund
Renaissance Canadian Bond Fund
Renaissance Canadian Core Value Fund
Renaissance Canadian Dividend Income Fund
Renaissance Canadian Growth Fund
Renaissance Canadian Monthly Income Fund
Renaissance Canadian Small-Cap Fund
Renaissance Canadian T-Bill Fund
Renaissance China Plus Fund
Renaissance Corporate Bond Capital Yield Fund
Renaissance Diversified Income Fund
Renaissance Dividend Fund
Renaissance Emerging Markets Fund
Renaissance European Fund
Renaissance Global Bond Fund
Renaissance Global Focus Fund
Renaissance Global Growth Fund
Renaissance Global Health Care Fund
Renaissance Global Infrastructure Fund
Renaissance Global Markets Fund
Renaissance Global Resource Fund
Renaissance Global Science & Technology Fund
Renaissance Global Small-Cap Fund
Renaissance Global Value Fund
Renaissance High-Yield Bond Fund
Renaissance International Dividend Fund
Renaissance International Equity Fund
Renaissance Millennium High Income Fund
Renaissance Millennium Next Generation Fund
Renaissance Money Market Fund
Renaissance Optimal Global Equity Portfolio
Renaissance Optimal Income Portfolio
Renaissance Real Return Bond Fund
Renaissance Short-Term Income Fund
Renaissance U.S. Equity Fund
Renaissance U.S. Equity Growth Fund
Renaissance U.S. Equity Value Fund
Renaissance U.S. Money Market Fund

2.1.4 WowWee Holdings Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions - Application for an order that the issuer is not a reporting issuer under applicable securities laws.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(b).

[Translation]

October 6, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
QUÉBEC, ONTARIO AND ALBERTA
(the "Jurisdictions")

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
WOWWEE HOLDINGS INC.
(the "Filer")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **"Decision Makers"**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **"Legislation"**) that the Filer is not a reporting issuer (the **"Exemptive Relief Sought"**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

(a) the Autorité des marchés financiers is the principal regulator for this application, and

(b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 - *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is the corporation resulting from the amalgamation of Optimal Group Inc. (**"Optimal"**) and 7533403 Canada Inc. (the **"Amalgamation"**), a wholly-owned subsidiary of 7293411 Canada Inc. (the **"Offeror"**).

2. The head office of the Filer is located at 3500, De Maisonneuve Blvd. West, Suite 800, Montreal, Quebec.

3. The Filer is a reporting issuer in the Jurisdictions.

4. The authorized share capital of the Filer consists of an unlimited number of common shares and an unlimited number of redeemable preferred shares.

5. On March 17, 2010, Optimal and the Offeror announced the execution of a support agreement to support the Offeror' intention to make an offer to acquire for US$2.40 in cash per share of Optimal, all of the outstanding Class A shares (the "shares") of Optimal, not already held by the Offeror and its joint actors (the "Offer").

6. On expiry of the Offer on May 21, 2010, the Offeror took up and paid for 3,874,086 shares in the capital of Optimal representing 75% of the outstanding shares.

7. On June 10, 2010, Optimal called a special meeting of its shareholders (the "Special Meeting"), to vote on the proposed Amalgamation.

8. On July 9, 2010, the shareholders of Optimal, present or represented by proxy, at the Special Meeting, voted in favour of the proposed Amalgamation.

9. The Filer filed articles of amalgamation pursuant to the *Canada Business Corporations Act* and a certificate of amalgamation was issued in respect of the Filer on July 9, 2010.

10. Pursuant to the Amalgamation, all of the outstanding shares of Optimal, other than those beneficially owned by the Offeror and its joint actors, were converted into redeemable preferred shares of the Filer.

11. Following completion of the Amalgamation, on July 9, 2010, the redeemable preferred shares of the Applicant were redeemed for US$2.40 in cash per share, all as more fully described in the management information circular of Optimal dated June 10, 2010.

12. As a result of the Amalgamation, the Filer is now a wholly-owned subsidiary of the Offeror.

13. No securities of the Filer are traded on a marketplace as defined in National Instrument 21-101 - *Marketplace Operation*.

14. The outstanding securities of the Filer, including debt securities, are beneficially owned by fewer than 15 security holders in each of the Jurisdictions in Canada and fewer than 51 security holders in total in Canada.

15. The Filer ceased to be a reporting issuer in British Columbia on August 16, 2010.

16. The Filer is not in default of any requirements applicable to a reporting issuer under the Legislation, except for failure to file its interim financial statements and interim management's discussion and analysis for the period ended June 30, 2010 as required by National Instrument 51-102 - *Continuous Disclosure Obligations* and the interim certificates as required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*.

17. The Filer has no current intention to proceed with an offering of its securities in a jurisdiction of Canada by way of private placement or public offering.

18. Upon the grant of the Exemptive Relief Sought, the Filer will not be a reporting issuer in any jurisdiction of Canada.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

"Alida Gualtieri"
Manager, Continuous Disclosure
Autorité des marchés financiers

2.1.5 CIBC Private Investment Counsel Inc. et al.

Headnote

NP 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from the Dealer Registration Requirement to permit trades in units of prospectus-qualified funds managed by affiliate entities to clients under a discretionary managed account agreement.

Applicable Legislative Provisions

Securities Act (Ontario), ss. 25 and 74(1).

September 28, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO
(THE JURISDICTION)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CIBC PRIVATE INVESTMENT COUNSEL INC.
(THE FILER)

AND

THE IMPERIAL POOLS LISTED IN SCHEDULE A

AND

THE RENAISSANCE FUNDS LISTED IN SCHEDULE B

AND

THE CIBC POOLED FUNDS LISTED IN SCHEDULE C

DECISION

Background

The securities regulatory authority or regulator in the Jurisdiction (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the Legislation) granting an exemption to the Filer from the dealer registration requirements in respect of trades in units of the mutual funds set out in Schedule A hereto (the Existing Imperial Pools) and any mutual funds established in the future as part of the group of Imperial Pools (the Future Imperial Pools and together with the Existing Imperial Pools, the Imperial Pools), Class O units of the mutual funds set out in Schedule B hereto (the Existing Renaissance Funds) and any mutual funds established in the future as part of the group of Renaissance Funds (the Future Renaissance Funds and together with the Existing Renaissance Funds, the Renaissance Funds) and the mutual funds set out in Schedule C hereto (the Existing CIBC Pooled Funds) and any mutual funds established in the future as part of the group of CIBC Pooled Funds (the Future CIBC Pooled Funds and together with the Existing CIBC Pooled Funds, the CIBC Pooled Funds),(the Imperial Pools, the CIBC Pooled Funds and the Renaissance Funds together, the Funds) to the clients of the Filer (the Requested Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the Ontario Securities Commission is the principal regulator for the application for the CPIC Requested Dealer Relief;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in respect of the Requested Dealer Relief in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Nunavut, Northwest Territories and Yukon.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

The Filer

1. The Filer is a corporation incorporated under the laws of Canada and has its head office in Toronto, Ontario. The Filer is registered as an adviser and is a portfolio manager under the securities legislation of each jurisdiction of Canada. It was also registered as a limited market dealer in Ontario and Newfoundland and Labrador and automatically became an exempt market dealer (EMD) when National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) came into effect. In the jurisdictions other than Ontario and Newfoundland and Labrador, it has relied, under the transition provision in section 16.7 of NI 31-103, on the temporary exemption from the dealer registration requirement when acting in the exempt market. This temporary exemption expires on September 28, 2010.

2. If the Requested Relief is granted, the Filer will drop its EMD registration in Ontario and Newfoundland and Labrador, making its registration status consistent across all jurisdictions.

3. The Filer is not in default of the securities legislation of any jurisdiction of Canada.

The Funds

4. Each of the Funds is or will be an open-ended mutual fund trust established under the laws of the Province of Ontario.

5. The Funds are used as tools to provide the investment management services to the clients of the Filer.

6. None of the Imperial Pools or CIBC Pooled Funds pay investment management fees nor do the Renaissance Funds pay management fees in respect of their Class O units. Investment management fees of the Filer's clients are paid under the managed account agreements (Managed Account Agreements).

7. Trades in units of the Funds on behalf of the Filer's clients, are effected through the Filer acting as the dealer, in reliance on its exempt market dealer registration in Ontario and Newfoundland and Labrador, or the temporary exemption from the dealer registration requirement in the other jurisdictions, as described above.

8. None of the Imperial Pools or CIBC Pooled Funds charge, nor do the clients pay, a sales commission or other fees in respect of trades in units of the Funds nor do the Renaissance Funds pay sales commissions in respect of their Class O units.

Imperial Pools

9. The Imperial Pools are reporting issuers in each of the jurisdictions of Canada.

10. The Imperial Pools are currently purchased on behalf of clients under Managed Account Agreements with the Filer and are also purchased on behalf of managed account clients of CIBC Trust Corporation (CIBC Trust) and in certain cases on behalf of clients of CIBC Global Asset Management Inc. (CGAM).

11. CIBC is the investment fund manager of the Imperial Pools and in that capacity provides, or arranges to provide for, the administration of each Imperial Pool. CIBC Asset Management Inc. (CAMI), an affiliate of CIBC and of the Filer, is the portfolio manager of the Imperial Pools. CAMI may retain portfolio sub-advisers, including CGAM, to provide portfolio management services to the Imperial Pools. CIBC Trust is the trustee and CIBC Mellon Trust Company is the custodian.

12. Clients of the Filer pay fees to the Filer, the Filer is responsible for paying the fees to CAMI for its services, and CAMI in turn is responsible for the fees of any sub-adviser.

Renaissance Funds

13. The Renaissance Funds are reporting issuers in each of the jurisdictions of Canada. The Class O units of the Renaissance Funds are offered to certain investors, including institutional investors or segregated funds, fund of funds and investors where dealers or discretionary managers such as the Filer offer separately managed accounts or similar programs. Some of these investors may not qualify for any applicable private placement exemptions.

14. Although currently there are more than 40 Renaissance Funds which may offer Class O units, not all of these Funds are used for the accounts of CPIC Clients.

15. The Renaissance Funds are purchased by the Filer on behalf of clients with a Managed Account Agreement with the Filer.

16. CAMI is the manager of the Renaissance Funds and in that capacity provides, or arranges to provide for, the administration of each Renaissance Fund. CAMI is also the portfolio adviser of the Renaissance Funds. CAMI may retain portfolio sub-advisers, including CGAM, to provide portfolio management services to the Renaissance Funds. CAMI is the trustee and CIBC is the custodian.

17. No management fees or operating expenses are charged in respect of the Class O units of the Renaissance Funds; instead a negotiated management fee is charged by CAMI directly to, or as directed by, the Class O unitholders or the Filer on behalf of the Class O unitholders.

18. The Filer is responsible for paying the negotiated management fees to CAMI for its services and CAMI in turn is responsible for the fees of any sub-adviser.

CIBC Pooled Funds

19. The CIBC Pooled Funds are not reporting issuers in the Jurisdictions.

20. The CIBC Pooled Funds are purchased on behalf of clients with a Managed Account Agreement with the Filer and on behalf of clients of CGAM.

21. CGAM is both the investment fund manager and portfolio manager of each CIBC Pooled Fund and in that capacity is responsible for the administration of each CIBC Pooled Fund and the investment decisions made on behalf of each CIBC Pooled Fund. CIBC Mellon Trust Company is the trustee and custodian.

22. Each of the CIBC Pooled Funds either pay all administration fees and expenses relating to its

operation or CGAM waives and/or absorbs such fees and expenses.

Investment Management Services

23. CIBC is in the business of offering investment management services to both individual and institutional clients. It uses different affiliates to do so, including the Filer, in order to focus its services appropriately for the relevant client groups.

24. The principal components of the investment management services include:

    (i) advisory services specific to clients, including discussing their investment needs and goals and reflecting those in a statement of investment policy (SIP) ;

    (ii) selection of portfolio securities;

    (iii) if funds are used to carry out the client's SIP, the establishment and operation of such funds.

25. CPIC Clients (as defined below) may be referred to the Filer from within the CIBC group of companies. Referral fees are paid to firms within the CIBC group of companies for the referral of a client in relation to the value of the assets that the client transfers to the Filer. The Filer currently does not pursue external referrals to any extent.

26. When potential clients approach the Filer or are approached by the Filer through client service representatives, it is to seek or solicit investment management services including understanding how portfolios are managed generally. When the client has determined to proceed with investment management services, discussions of how the clients' own assets will be managed occur, including the ability to carry out the SIP through relevant Funds. The client understands and is looking for more than what the client would receive if the client simply purchases Funds.

27. While the various segments of the investment management services are carried out in different entities, the investment management business for each client category is one integrated business of CIBC.

28. When a client selects investment management services from the Filer, the Filer is responsible not only for know-your-client and suitability reviews like a dealer but also takes on the responsibility of selection. There is also advice rendered to the client but, in the case of discretionary portfolio management services, the decision is clearly made by the portfolio manager and not the client. The Funds are a tool to deliver the investment management services required by the Filer, as portfolio manager, for its clients. They are not sold to investment management clients.

Individual Clients

29. The Filer offers fully discretionary investment management services pursuant to a Managed Account Agreement and such Managed Account Agreement authorizes the use of funds to carry out the SIP of the client.

30. If a CIBC client is seeking investment management services and generally has at least one million dollars to place as assets under management, the client may be referred to the Filer (CPIC Clients).

31. As the client base of the Filer is clients whose investment assets can differ significantly, the Filer may use the Imperial Pools, the CIBC Pooled Funds and the Class O units of the Renaissance Funds.

32. As a best practice, the prospectus of the Imperial Pools and Renaissance Funds is provided to clients when they enter into a Managed Account Agreement as part of the client welcome package. While the clients receive the Imperial Pools and Renaissance Funds prospectuses, they are not asked to participate in the selection of the Imperial Pools and Renaissance Funds - that is what the Filer does as part of the discretionary investment mandate given to it.

Requested Dealer Relief

33. The Filer is seeking the Requested Relief for the same fundamental reasons behind the relief available pursuant to section 8.6 of NI 31-103, namely that the Filer is in the business of providing discretionary investment management services and not in the business of trading funds. No commissions or fees (other than its investment management fees payable to the Filer by its clients) are payable to the Filer on the purchase of units of the Funds, and no commissions or other fees are payable by the Filer's clients in connection with the Filer's investments in the Funds on its clients' behalf.

34. The Filer does not qualify for the relief under section 8.6 of NI 31-103 for the following reasons:

    (i) the Imperial Pools, the CIBC Pooled Funds and the Renaissance Funds are not managed nor advised by the Filer, but by affiliates of the Filer;

    (ii) the Imperial Pools and the Class O units of the Renaissance Funds are offered by prospectus.

Decision

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Requested Relief is granted provided that the Filer is, at the time of trade, registered under the Legislation as an adviser in the category of portfolio manager.

"Wes M. Scott"
Commissioner
Ontario Securities Commission

"James D. Carnwath"
Commissioner
Ontario Securities Commission

SCHEDULE A

IMPERIAL POOLS

Imperial Money Market Pool
Imperial Short-Term Bond Pool
Imperial Canadian Bond Pool
Imperial Canadian Dividend Pool
Imperial International Bond Pool
Imperial Canadian Income Trust Pool
Imperial Canadian Dividend Income Pool
Imperial Global Equity Income Pool
Imperial Canadian Equity Pool
Imperial Registered U.S. Equity Index Pool
Imperial U.S. Equity Pool
Imperial Registered International Equity Index Pool
Imperial International Equity Pool
Imperial Overseas Equity Pool
Imperial Emerging Economies Pool

SCHEDULE B

RENAISSANCE FUNDS

Class O

Renaissance Asian Fund
Renaissance Canadian Asset Allocation Fund
Renaissance Canadian Balanced Fund
Renaissance Canadian Balanced Value Fund
Renaissance Canadian Bond Fund
Renaissance Canadian Core Value Fund
Renaissance Canadian Dividend Income Fund
Renaissance Canadian Growth Fund
Renaissance Canadian Monthly Income Fund
Renaissance Canadian Small-Cap Fund
Renaissance Canadian T-Bill Fund
Renaissance China Plus Fund
Renaissance Corporate Bond Capital Yield Fund
Renaissance Diversified Income Fund
Renaissance Dividend Fund
Renaissance Emerging Markets Fund
Renaissance European Fund
Renaissance Global Bond Fund
Renaissance Global Focus Fund
Renaissance Global Growth Fund
Renaissance Global Health Care Fund
Renaissance Global Infrastructure Fund
Renaissance Global Markets Fund
Renaissance Global Resource Fund
Renaissance Global Science & Technology Fund
Renaissance Global Small-Cap Fund
Renaissance Global Value Fund
Renaissance High-Yield Bond Fund
Renaissance International Dividend Fund
Renaissance International Equity Fund
Renaissance Millennium High Income Fund
Renaissance Millennium Next Generation Fund
Renaissance Money Market Fund
Renaissance Optimal Global Equity Portfolio
Renaissance Optimal Income Portfolio
Renaissance Real Return Bond Fund
Renaissance Short-Term Income Fund
Renaissance U.S. Equity Fund
Renaissance U.S. Equity Growth Fund
Renaissance U.S. Equity Value Fund
Renaissance U.S. Money Market Fund

2.1.6 Canadian Apartment Properties Real Estate Investment Trust

Headnote

MI 11-102 and NP 11-203 – relief from filing business acquisition report – using income from the continuing operations of the filer to determine the significance of certain acquisitions leads to anomalous results – filer permitted to exclude depreciation of income-producing properties from income when calculating significance under Part 8 of National Instrument 51-102 Continuous Disclosure Obligations.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations, s. 8.3.

October 8, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO
(the JURISDICTION)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
CANADIAN APARTMENT PROPERTIES REAL
ESTATE INVESTMENT TRUST (the FILER)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) granting relief to allow the exclusion of depreciation of income producing properties when applying the Income Test (as defined below) for the Filer's continuous disclosure obligations under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (**NI 51-102**) in respect of the July 29, 2010 acquisition of a portfolio consisting of eight properties totalling 307 suites referred to as BC Property Portfolio (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) the Ontario Securities Commission is the principal regulator for this application (the **Principal Regulator**), and

(b) the Filer has provided notice that section 4.7 (1) of Multilateral Instrument 11-102 – *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon.

Interpretation

Terms defined in National Instrument 14-101 – *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is an internally managed unincorporated open-ended real estate investment trust owning interests in multi-unit residential properties including apartment buildings and townhouses located in major urban centres across Canada and two manufactured home communities.

2. The Filer was established under the laws of the Province of Ontario by a declaration of trust and its head office is located in Toronto, Ontario.

3. The Filer is a reporting issuer under the securities legislation of each of the provinces and territories of Canada.

4. The units of the Filer are listed and posted for trading on the Toronto Stock Exchange under the trading symbol CAR.UN.

5. The Filer completed its initial public offering on May 21, 1997 pursuant to its final long form prospectus dated May 12, 1997.

6. As at July 29, 2010, the Filer had ownership interests in 27,228 residential suites well diversified by geographic location and asset class and two manufactured home communities comprising 1,316 land lease sites.

7. As at and for the year ended December 31, 2009 the Filer had assets in excess of $2.2 billion, income from continuing operations of approximately $6.2 million and depreciation of income producing properties of $78.6 million.

8. As at and for the year ended December 31, 2008 the Filer had assets of approximately $2.2 billion, loss from continuing operations of approximately $11.5 million and depreciation of income producing properties of $72.0 million.

9. Under Part 8 of NI 51-102, the Filer is required to file a business acquisition report (**BAR**) for any completed acquisition that is determined to be significant based on the acquisition satisfying any of the three significance tests set out in subsection 8.3 (2) of NI 51-102.

10. For the purposes of completing its quantitative analysis of the income test (the **Income Test**) prescribed under Part 8.3 of NI 51-102, the Filer is required to compare its income from continuing operations against the proportionate share of income from continuing operations of BC Property Portfolio.

11. Excluding depreciation of income producing properties when applying the Income Test more accurately reflects the significance of this acquisition from a business and commercial perspective and its results are generally consistent with the other tests of significance set out in subsection 8.3 (2) of NI 51-102.

12. The application of the Income Test with depreciation of income producing properties excluded results in BC Property Portfolio representing approximately 2.8% of the Filer's income from continuing operations for the fiscal year ended December 31, 2009. However, based on the application of the Income Test, pursuant to paragraph (1) of Part 8.2 of NI 51-102, the Filer is required to file a BAR with respect to its acquisition of BC Property Portfolio on or before October 12, 2010.

Decision

The Principal Regulator is satisfied that the decision meets the test set out in the Legislation for the Principal Regulator to make the decision.

The decision of the Principal Regulator under the Legislation is that the Exemption Sought is granted.

"Michael Brown"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Mega-C Power Corporation et al. – ss. 127(1), 127.1

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

AND

IN THE MATTER OF
MEGA-C POWER CORPORATION,
RENE PARDO, GARY USLING,
LEWIS TAYLOR SR., LEWIS TAYLOR JR.,
JARED TAYLOR, COLIN TAYLOR and
1248136 ONTARIO LIMITED

ORDER
(Sections 127(1) and 127.1)

WHEREAS on November 16, 2005, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing, returnable January 31, 2006, to consider allegations made by Staff of the Commission in the Statement of Allegations;

AND WHEREAS on February 6, 2007, the Commission issued an Amended Notice of Hearing, returnable October 29, 2007 (the "Amended Notice of Hearing");

AND WHEREAS on September 7, 2010, the Commission issued its decision on the merits in relation to the Statement of Allegations (the "Merits Decision");

AND WHEREAS the Commission found, in the Merits Decision, that Rene Pardo, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited (collectively, the "Respondents") contravened s. 25(1)(a) and s. 53(1) of the Ontario Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), contrary to the public interest, and that Rene Pardo, Lewis Taylor Sr., Lewis Taylor Jr. and Jared Taylor contravened s. 38(3) of the Act, contrary to the public interest, and directed Staff and the Respondents to appear before the Commission on September 28, 2010, at 2:30 p.m., to set a date for a sanctions and costs hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Act, it is in the public interest for the Commission to order the sanctions and costs set out in the Amended Notice of Hearing;

AND WHEREAS on September 28, 2010, Staff and the Respondents appeared before the Commission and made submissions on a date for a sanctions and costs hearing;

IT IS ORDERED THAT:

1. The sanctions and costs hearing will commence on Tuesday, December 7, 2010, at 2:00 p.m., and continue, if necessary, on Wednesday, December 8, 2010, at 10:00 a.m., or such other dates as agreed by the parties and fixed by the Office of the Secretary;

2. Staff will file and serve its written submissions on sanctions and costs by October 15, 2010; and

3. The Respondents may file and serve written submissions on sanctions and costs, if they wish to do so, prior to the sanctions and costs hearing.

DATED at Toronto, this 28th day of September, 2010.

"James D. Carnwath"

"Kevin J. Kelly"

2.2.2 Abel Da Silva

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

AND

IN THE MATTER OF
ABEL DA SILVA

ORDER

WHEREAS on October 21, 2008 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") in this matter and scheduled a hearing to commence on November 27, 2008 at 3:00 p.m.;

AND WHEREAS Staff of the Ontario Securities Commission ("Staff") filed a Statement of Allegations dated October 20, 2008 with the Commission;

AND WHEREAS Staff served Abel Da Silva ("Da Silva") with a certified copy of the Notice of Hearing and Staff's Statement of Allegations as evidenced by the Affidavit of Service of Wayne Vanderlaan, sworn on November 10, 2008, filed with the Commission;

AND WHEREAS a panel of the Commission held a hearing on November 27, 2008 at 3:00 p.m. and Staff attended and made submissions, including advising the Panel that the disclosure by Staff was available in this matter, and Staff undertook to notify Da Silva that disclosure was available;

AND WHEREAS on November 27, 2008, Da Silva did not appear at the hearing;

AND WHEREAS on November 27, 2008, a panel of the Commission ordered that the hearing in this matter is adjourned to June 4, 2009 at 11:00 a.m.;

AND WHEREAS Staff served Da Silva with a certified copy of the Order of the Commission dated November 27, 2008 as evidenced by the Affidavit of Service of Kathleen McMillan sworn on June 3, 2009;

AND WHEREAS on June 4 and September 10, 2009, January 12, April 12, and June 30, 2010 (the "appearance dates"), status hearings were held and Staff appeared before a panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS Da Silva did not attend before the Commission on the appearance dates despite being made aware of those dates;

AND WHEREAS on each of the appearance dates, the Commission considered the submissions of Staff and was of the opinion that it was in the public interest to adjourn the hearing;

AND WHEREAS on September 2, 2010, a panel of the Commission ordered that the hearing with respect to the Notice of Hearing and Staff's Statement of Allegations dated October 20, 2008 be adjourned to October 5, 2010 at 10:00 a.m.;

AND WHEREAS on September 20, 2010, Staff filed an Amended Statement of Allegations and Notice of Hearing in this matter;

AND WHEREAS on September 21, 2010, Staff served Da Silva with a certified copy of the Notice of Hearing and Staff's Amended Statement of Allegations dated September 20, 2010 as evidenced by the Affidavit of Service of Charlene Rochman, sworn on October 1, 2010, filed with the Commission;

AND WHEREAS on October 5, 2010, a status hearing was held commencing at 10:00 a.m. and Staff appeared before the panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on October 5, 2010, Da Silva did not attend at the status hearing;

AND WHEREAS on October 5, 2010, the panel of the Commission considered the submissions of Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED that the hearing with respect to the Notice of Hearing and Staff's Amended Statement of Allegations dated September 20, 2010 be adjourned to October 26, 2010 at 2:30 p.m. for the purpose of having a confidential pre-hearing conference and that the hearing on the merits in this matter be set down for November 29, 2010 at 10:00 a.m.

DATED at Toronto this 5th day of October, 2010.

"James E.A. Turner"

2.2.3 IBK Capital Corp. and William F. White – ss. 127, 127.1

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

AND

IN THE MATTER OF
IBK CAPITAL CORP. and WILLIAM F. WHITE

ORDER
(Sections 127 and 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated November 12, 2009 (the "Notice of Hearing) pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), in respect of IBK Capital Corp. ("IBK") and William F. White ("White");

AND WHEREAS on November 12, 2009, Staff of the Commission filed a Statement of Allegations in respect of IBK and White;

AND WHEREAS IBK and White entered into a settlement agreement dated October 5, 2010 (the "Settlement Agreement") with Staff of the Commission in relation to the matters set out in the Statement of Allegations;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon considering submissions of IBK, White and of Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement is approved;

2. White is reprimanded;

3. Trading in any securities by White cease for a period of two years subject to the following exceptions:

   (a) White be permitted to trade securities in registered retirement savings plans in which he, either alone or with his spouse, has sole beneficial interest (a "White RRSP");

   (b) White be permitted to donate to registered charities any securities that he currently holds outside a White RRSP for a period of one hundred and twenty (120) days following the date the Settlement Agreement is approved; and

   (c) White be permitted to dispose of any securities that he currently holds outside a White RRSP for a period of ninety (90) days following the date the Settlement Agreement is approved and to use the proceeds from such dispositions to acquire debt securities issued or guaranteed by the Government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction, and to subsequently purchase and sell such debt securities.

4. For the two year period commencing on the date this Settlement Agreement is approved, White's registration under Ontario securities law shall be suspended, provided that:

   (a) White be permitted to communicate with any existing clients of IBK for a period of thirty (30) days following the date the Settlement Agreement is approved for the sole purpose of advising them of the terms and conditions of this Settlement Agreement and transitioning responsibility for such clients to one or more other registered employees of IBK and thereafter White be prohibited from communicating with clients of IBK for any purpose involving registerable activity during the remainder of the two year period; and

   (b) White be permitted to communicate with employees at IBK for the sole purpose of assisting them with the administration of IBK's operations provided that White does not engage in any registerable activities.

5. White shall resign all positions that he holds as a director or officer of a registrant and shall not hold any position as a director or officer of a registrant for two years from the date the Settlement Agreement is approved;

6. White shall resign all positions that he holds as a director or officer of a reporting issuer and shall not hold any position as a director or officer of a reporting issuer for two years from the date the Settlement Agreement is approved;

7. White shall pay make a payment by certified cheque to this Commission in the amount of $30,000 for allocation to or for the benefit of third parties pursuant to s. 3.4(2)(b) of the Act;

8. White shall make a payment by certified cheque to this Commission in the amount of $55,000 in respect of a portion of the costs of the investigation and proceeding in relation to this matter;

9. IBK is reprimanded; and

10. IBK shall submit to a review of its compliance practices and procedures related to compliance with section 76 of the Act in accordance with the Terms of Reference attached as Schedule “B”.

DATED at Toronto this “7th” day of October, 2010.

“James Carnwath”
Commissioner

Schedule "B"

TERMS OF REFERENCE FOR COMPLIANCE REVIEW

A. Retention of Stephanie McManus, Compliance Support Services (the “Consultant”)

(a) The Consultant's reasonable compensation and expenses shall be borne exclusively by IBK Capital Corp. (the "Respondent").

(b) The agreement with the Consultant ("Agreement") shall provide that the Consultant examine and assess the effectiveness of:

(a) the Respondent's internal policies and procedures (the “section 76 Procedures”) that are devoted to ensuring compliance with section 76 of the Act (the “section 76 Prohibition”);

(b) adherence by the Respondent, its officers, directors and employees to IBK’s section 76 Procedures; and

(c) the training programme that has been developed by the Respondent for the purpose of apprising its staff of the section 76 Prohibition, the section 76 Procedures and the potential consequences of any contravention thereof.

(collectively, the "Review").

B. The Consultant's Reporting Obligations

(a) The Consultant shall issue a draft report to the Respondent within 3 months of its appointment.

(b) The Consultant shall engage with the Respondent in discussions regarding the draft report with a view to reaching a consensus and finalizing the report within 1 month of the delivery of the draft report. If requested by the Consultant, the Consultant may explain any areas of disagreement with management of the Respondent.

(c) The Consultant will deliver the final report to the Respondent.

(d) Staff with prior notice may attend at the premises of the Respondent and review the draft and final versions of the Consultant’s report.

(e) The Consultant's draft and final reports shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for any changes or improvements to the Respondent's policies and procedures as the Consultant reasonably deems necessary to conform to regulatory requirements.

(f) The Respondent will, within 60 days after receipt of the Consultant's report, advise the Staff of the OSC ("OSC Staff') of a timetable to implement the recommendations contained in the report; however, in the event the Respondent disagrees with any of the recommendations, the Respondent shall so advise OSC Staff and provide to the Consultant reasons for such position and, if applicable, any alternative actions, policies or procedures the Respondent intends to adopt.

(g) Staff may attend at the premises of the Respondent and may review the Consultant's report with respect to the implementation of the Consultant's recommendations.

(h) The Respondent shall certify to the Commission, by certificate executed on its behalf by the President of the Respondent, that the Respondent has implemented those recommendations of the Consultant which it had agreed upon, and will do so promptly following such implementation.

(i) For greater certainty, the terms of this compliance review do not limit in any respect the authority of the Commission to undertake, as part of its normal course audit activities, a review of all matters within the scope of the Review or any other aspect of the business of the Respondent.

C. Terms of the Consultant's Retention

(a) The appointment of the Consultant shall be made promptly following the approval of the Settlement Agreement, but in any event by no later than thirty (30) days following the date the Settlement Agreement is approved,

(b) The Consultant shall have reasonable access to all of the Respondent's books and records and the ability to meet privately with the Respondent's personnel. The Respondent shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the Review may be grounds for disciplinary action.

(c) The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at the Respondent's expense, lawyers, accountants, and other persons or firms, other than officers, directors, or employees of the Respondent, to assist in the discharge of the Consultant's obligations. The Respondent shall pay all reasonable fees and expenses (as reasonably documented) of any persons or firms so retained by the Consultant.

(d) The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities.

2.2.4 Feronia Inc. – s. 1(11)(b)

Headnote

Subsection 1(11)(b) - Order that the issuer is a reporting issuer for the purposes of Ontario securities law - Issuer already a reporting issuer in Alberta, British Columbia and Saskatchewan - Issuer's securities listed for trading on the TSX Venture Exchange - Continuous disclosure requirements in Alberta, British Columbia and Saskatchewan substantially the same as those in Ontario - Issuer has a significant connection to Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(11)(b).

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

AND

IN THE MATTER OF
FERONIA INC.
(FORMERLY G.T.M. CAPITAL CORPORATION)

ORDER
(clause 1(11)(b))

UPON the application of Feronia Inc. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for an order pursuant to clause 1(11)(b) of the Act that, for the purposes of Ontario securities law, the Applicant is a reporting issuer in Ontario;

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

AND UPON the Applicant representing to the Commission as follows:

1. The Applicant was incorporated under the name "Optimum Capital Corporation" by filing Articles of Incorporation with the Wyoming Secretary of State on August 29, 2005. On May 8, 2007, the Applicant continued under the laws of the State of Delaware. On March 31, 2008, the Applicant subsequently continued under the laws of the Province of Alberta under the name "G.T.M. Capital Corporation". The Articles of the Applicant were amended by a Certificate of Amendment dated July 30, 2008 to remove the "private issuer" provisions. On August 18, 2010, the shareholders of the Applicant approved the continuance of the Applicant out of the Province of Alberta into the laws of the Province of Ontario. The Applicant was subsequently continued under the laws of the Province of Ontario on August 18, 2010. The Applicant filed Articles of Amendment on September 7, 2010 to change its name to "Feronia Inc."

2. The Applicant's head office and registered office is located at 220 Bay Street, Suite 1500, Toronto, Ontario M5J 2W4.

3. As of the date hereof, the Applicant's authorized share capital consists of an unlimited number of common shares (the **Common Shares**), of which 99,290,740 Common Shares are issued and outstanding. The Applicant has outstanding obligations to issue: (i) 32,489,213 Common Shares upon the exercise of common share purchase warrants (the **Warrants**) to purchase up to 32,489,213 Common Shares; and (ii) 7,900,000 Common Shares upon the exercise of options to purchase up to an aggregate of 7,900,000 Common Shares.

4. The Applicant is currently a reporting issuer in Alberta, British Columbia and Saskatchewan and has been a reporting issuer under the *Securities Act* (Alberta) (the **Alberta Act**), the *Securities Act* (British Columbia) (the **BC Act**) and the *Securities Act* (Saskatchewan) (the **Saskatchewan Act**) since November 3, 2008.

5. The Applicant is not currently a reporting issuer or the equivalent in any jurisdiction in Canada other than Alberta, British Columbia and Saskatchewan.

6. As of the date hereof, the Applicant is not on the list of defaulting reporting issuers maintained pursuant to the Alberta Act, the BC Act or the Saskatchewan Act and, to the best of its knowledge, is not in default of any of its obligations under the Alberta Act, the BC Act or the Saskatchewan Act or the rules and regulations made thereunder.

7. The continuous disclosure document requirements of the Alberta Act, the BC Act and the Saskatchewan Act are substantially the same as the continuous disclosure requirements under the Act.

8. The continuous disclosure materials filed by the Applicant under the Alberta Act, the BC Act and the Saskatchewan Act are available on the System for Electronic Document Analysis and Retrieval (**SEDAR**), with April 23, 2007 being the date of the first electronic filing on SEDAR by the Applicant.

9. The Applicant's Common Shares and Warrants to purchase up to 27,222,512 Common Shares are listed and posted for trading on the TSX Venture Exchange (the **TSXV**) under the trading symbols "FRN" and "FRN.WT", respectively. The Common Shares and Warrants are not traded on any other stock exchange or trading or quotation system.

10. The Applicant is not in default of any of the rules, regulations or policies of the TSXV.

11. The Applicant entered into an acquisition agreement with Feronia CI Inc. (formerly "Feronia Inc.", an exempted company incorporated under the laws of the Cayman Islands, hereinafter defined as **FIC**), pursuant to which a wholly-owned subsidiary of the Applicant and FIC merged on September 9, 2010, resulting in the Applicant owning all of the issued and outstanding securities of the merged entity (the **Transaction**). The Transaction resulted in FIC becoming a wholly-owned subsidiary of the Applicant with the Transaction constituting a reverse take-over of the Applicant.

12. Pursuant to the policies of the TSXV, a listed issuer, which is not otherwise a reporting issuer in Ontario, must assess whether it has a significant connection to Ontario, as defined in the policies of the TSXV, and, upon becoming aware that it has a significant connection to Ontario, to promptly make a *bona fide* application to the Commission to be deemed a reporting issuer in Ontario.

13. Pursuant to the policies of the TSXV, the Applicant has undertaken an assessment of its shareholder base to determine whether or not the Applicant has a significant connection to Ontario as defined in the policies of the TSXV. As a result of that assessment, the Applicant has determined that the Applicant has come to have a significant connection to Ontario in that more than 46% of the Applicant's issued and outstanding Common Shares are held directly or indirectly by residents of Ontario.

14. Neither the Applicant, nor any of its officers, directors, nor, to the knowledge of the Applicant or its officers and directors, any shareholder holding sufficient securities of the Applicant to affect materially the control of the Applicant, has:

    (a) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority;

    (b) entered into a settlement agreement with a Canadian securities regulatory authority; or

    (c) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

15. Neither the Applicant, nor any of its officers, directors, nor to the knowledge of the Applicant and its officers and directors, any shareholder holding sufficient securities of the Applicant to affect materially the control of the Applicant, is or has been subject to:

    (a) any known ongoing or concluded investigations by a Canadian securities regulatory authority, or a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or

    (b) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

16. Other than as set out below, neither any of the officers or directors of the Applicant, nor, to the knowledge of the Applicant and its officers and directors, any shareholder holding sufficient securities of the Applicant to affect materially the control of the Applicant, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to: (i) any cease trade order or similar order, or order that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee within the preceding 10 years:

    (a) Ravi Sood, a director of the Applicant, is and was a director of TriNorth Capital Inc., a reporting issuer that became subject to a cease trade order issued by the Commission on May 19, 2010 as a result of the failure to file audited annual financial statements for the year ended December 31, 2009, the related management's discussion and analysis and the certification of the foregoing filings when due as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The order was revoked on July 6, 2010; and

    (b) Nigel Gourlay, a director of the Applicant, acted as non-executive chairman of NWD plc, an AIM-listed company, from July 2003 to June 2007. The business was not consistently profitable and in January 2007, the management team of one of the main subsidiaries resigned to form their own business. In June 2007, new investors came in, a Creditors Voluntary Arrangement was approved, and the company was restructured and emerged from bankruptcy protection.

AND UPON the Commission being satisfied that granting this Order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to clause 1(11)(b) of the Act that the Applicant is a reporting issuer for the purposes of Ontario securities law.

DATED this 7th day of October, 2010.

"Michael Brown"
Assistant Manager
Corporate Finance Branch
Ontario Securities Commission

2.2.5 Uranium308 Resources Inc. and Michael Friedman – ss. 37, 127(1)

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC.
AND MICHAEL FRIEDMAN

ORDER
(Sections 37 and 127(1))

WHEREAS on October 7, 2010, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 37 and 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in respect of Uranium308 Resources Inc. ("U308 Inc.") and Michael Friedman ("Friedman");

AND WHEREAS U308 Inc. and Friedman entered into a Settlement Agreement with Staff of the Commission dated September 30 and October 4, 2010 (the "Settlement Agreement") in which U308 Inc. and Friedman agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing, and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for U308 Inc. and Friedman and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by U308 Inc. and Friedman cease permanently, with the exception that Friedman is permitted to trade in securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(c) pursuant to clause 2.1 of section 127(1) of the Act, U308 Inc. and Friedman are each prohibited permanently from the acquisition of any securities, with the exception that Friedman is permitted to acquire securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(d) pursuant to clause 3 of section 127(1) of the Act, any exemptions contained in Ontario securities

law do not apply to U308 Inc. and Friedman permanently;

(e) pursuant to clause 6 of subsection 127(1) of the Act, U308 Inc. and Friedman are reprimanded;

(f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Friedman is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) pursuant to clause 8.5 of subsection 127(1) of the Act, Friedman is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Friedman and U308 Inc. shall each pay administrative penalties of $100,000 for their failure to comply with Ontario securities law. The $100,000 administrative penalties shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act;

(i) pursuant to clause 10 of subsection 127(1) of the Act, Friedman and U308 Inc. shall disgorge to the Commission, jointly and severally, $2,380,390 obtained as a result of their non-compliance with Ontario securities law. The $2,380,390 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act; and

(j) pursuant to section 37(1) of the Act of the Act, Friedman shall be prohibited permanently from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or in any class of security.

DATED AT TORONTO this 8th day of October, 2010.

"Kevin J. Kelly"

2.2.6 QuantFX Asset Management Inc. et al. – ss. 127(7), 127(8)

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

AND

QUANTFX ASSET MANAGEMENT INC.,
VADIM TSATSKIN, LUCIEN SHTROMVASER
AND ROSTISLAV ZEMLINSKY

ORDER
(Subsections 127(7) and 127(8))

WHEREAS on April 9, 2010, the Ontario Securities Commission (the "Commission") issued a temporary order pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering the following (the "Temporary Order"):

(i) that QuantFX Asset Management Inc. ("QuantFX"), Vadim Tsatskin ("Tsatskin"), Lucien Shtromvaser ("Shtromvaser") and Rostislav Zemlinsky ("Zemlinsky"), collectively the "Respondents", cease trading in all securities; and

(ii) that any exemptions contained in Ontario securities law do not apply to the Respondents;

AND WHEREAS on April 9, 2010, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on April 13, 2010, the Commission issued a notice of hearing to consider, among other things, the extension of the Temporary Order, to be held on April 23, 2010 at 12 noon (the "Notice of Hearing");

AND WHEREAS the Notice of Hearing set out that the hearing (the "Hearing") is to consider, amongst other things, whether, in the opinion of the Commission, it is in the public interest, pursuant to subsections 127 (7) and (8) of the Act, to extend the Temporary Order until the conclusion of the Hearing, or until such further time as considered necessary by the Commission;

AND WHEREAS on April 23, 2010, the Hearing was held before the Commission where counsel for Staff of the Commission ("Staff") attended but counsel for the Respondents did not attend;

AND WHEREAS on April 23, 2010, the Commission was satisfied that Staff had properly served the Respondents with copies of the Temporary Order, the Notice of Hearing, and the Evidence Brief of Staff with respect to this Hearing;

AND WHEREAS on April 23, 2010, Staff provided the Commission with correspondence from counsel for the Respondents, as evidenced by the Affidavit of Eden Williams, sworn on April 23, 2010, and filed with the Commission, wherein the Respondents consented to the adjournment of the extension of the Temporary Order as proposed by counsel for Staff;

AND WHEREAS on April 23, 2010, the Commission considered the submissions of Staff and the consent of counsel for the Respondents and was of the opinion that it was in the public interest to adjourn the hearing until October 13, 2010 at 10:30 a.m. and extend the Temporary Order until October 14, 2010;

AND WHEREAS on October 7, 2010, the Commission was informed that Staff sought an extension of the Temporary Order until November 19, 2010, the adjournment of the Hearing until November 18, 2010 and that the Hearing set for October 13, 2010 be held in writing;

AND WHEREAS on October 7, 2010, counsel for QuantFX, Shtromvaser and Zemlinsky informed Staff that QuantFX, Shtromvaser and Zemlinsky consent to Staff's proposal to extend the Temporary Order until November 19, 2010, to adjourn the Hearing until November 18, 2010 and that the Hearing set for October 13, 2010 be held in writing;

AND WHEREAS on October 12, 2010, Tsatskin informed Staff that he consents to Staff's proposal to extend the Temporary Order until November 19, 2010, to adjourn the Hearing until November 18, 2010 and that the Hearing set for October 13, 2010 be held in writing;

AND WHEREAS on October 13, 2010, the Commission considered the evidence and submissions before it and the Commission was of the opinion that it was in the public interest to extend the Temporary Order;

IT IS HEREBY ORDERED pursuant to subsections 127 (7) and (8) of the Act that the Temporary Order is extended to November 19, 2010; and,

IT IS FURTHER ORDERED that the Hearing is adjourned to November 18, 2010, at 10:00 a.m.

DATED at Toronto this 13th day of October, 2010.

"Mary G. Condon"

2.2.7 Barry Landen – ss. 127(1), 127(10)

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

AND

IN THE MATTER OF
BARRY LANDEN

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on November 4, 2008, the Ontario Court of Justice released a decision convicting Barry Landen ("Landen") of insider trading contrary to subsections 76(1) and 122(1)(c) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") (the "Criminal Judgement");

AND WHEREAS, as a result of the Criminal Judgement, Landen was sentenced to 45 days imprisonment and was fined $200,000 by the Ontario Court of Justice;

AND WHEREAS Staff of the Commission filed a Statement of Allegations in this matter on October 6, 2009 and the Commission issued a Notice of Hearing on October 7, 2009;

AND WHEREAS on February 22, 2010, the Commission held a hearing to consider whether it is in the public interest to make an order against Landen based on the Criminal Judgement, pursuant to subsection 127(1) of the Act in the circumstances contemplated by subsection 127(10) of the Act;

AND WHEREAS on October 12, 2010, the Commission issued its Reasons for Decision in this matter;

AND WHEREAS we find that it is in the public interest to make an order against Landen pursuant to subsections 127(1) of the Act;

IT IS ORDERED THAT:

(a) Landen is prohibited from trading in securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor

exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only (and he must close any trading accounts that are not in his name only);

(b) Landen is prohibited from acquiring securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;

(c) exemptions in Ontario securities law (as defined in the Act) do not apply to Mr. Landen for a period of twelve years from the date of this order, except to permit the trading authorized under paragraphs (a) or (b) above;

(d) Landen is reprimanded;

(e) Landen is ordered to resign any positions he holds as a director or officer of a reporting issuer, registrant or investment fund manager;

(f) Landen is prohibited from becoming or acting as a director or officer of any reporting issuer, registrant or investment fund manager for a period of twelve years from the date of this order; and

(g) Landen is prohibited from becoming or acting as a promoter for a period of twelve years from the date of this order.

Dated at Toronto this 12th day of October, 2010.

"James E. A. Turner"

"Paulette L. Kennedy"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 IBK Capital Corp. and William F. White

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

AND

IN THE MATTER OF
IBK CAPITAL CORP. and WILLIAM F. WHITE

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), it is in the public interest for the Commission to make certain orders in respect of IBK Capital Corp. ("IBK") and William White ("Mr. White").

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") and the Respondents agree to recommend settlement of the proceeding commenced by Notice of Hearing dated November 12, 2009 (the "Proceeding") against the Respondents according to the terms and conditions set out in Part V of this Settlement Agreement. Staff and the Respondents agree to the making of an order in the form attached as Schedule "A", based on the facts set out below.

III. AGREED FACTS

3. The Respondents admit the facts set out in this Settlement Agreement solely for the purposes of this Settlement Agreement. This Settlement Agreement and the facts and admissions set out herein are without prejudice to the Respondents in any actions or proceedings including, without limitation, any civil, administrative, quasi-criminal or criminal actions or proceedings that may be brought by any person or agency, whether or not this Settlement Agreement is approved by the Commission.

Background

4. The Respondent, IBK is a privately owned investment banking firm which offers a range of services, including private placements. Mining is one of several sectors in which IBK specializes. IBK is registered under the *Act* as an exempt market dealer.

5. Mr. White is a founder of IBK and has been a shareholder, director and the President of IBK since its inception in 1989.

Private Placements - South American Gold and Copper Company

6. In 2003 and 2004, IBK acted as the placement agent on three private placements for South American Gold and Copper Company ("SAG"), which shall be referred to as PP1, PP2 and PP3. Mr. White was SAG's main contact at IBK during the time of PP1, PP2 and PP3.

7. IBK was registered under the Act as a limited market dealer during 2003 and 2004.

8. SAG is an Ontario company listed on the Toronto Stock Exchange (TSX). SAG is a mineral exploration and development mining company. SAG's exploration and development interests where concentrated in Chile where it owned 100% of the Pimenton gold mine. During PPI, PP2 and PP3, SAG was represented by a senior securities lawyer with a prominent Canadian law firm who had advised SAG and served as its Secretary since 1998.

9. During the time of PP1 and PP2, the price of gold was rising. On October 9, 2003, the price of gold closed at US $370.60 per ounce. On November 14, 2003, the price of gold closed at US $396.70 per ounce. The price of gold had not broken through the US $400 an ounce level since 1996.

PP1

10. On October 15, 2003, SAG executed a private placement term sheet with IBK, as placement agent, under which SAG proposed to raise up to $3.5 million[1] by issuing up to 50 million units priced at $0.07 each (the "PP1 Term Sheet"). Each unit was to entitle the holder to acquire one common share of SAG and one half of one common share purchase warrant. Each full warrant was to entitle the holder to purchase an additional common share of SAG for a purchase price of $0.09 for a period of two years from the closing date.

11. On October 28, 2003, SAG's counsel filed a notice of a proposed private placement in respect of PP1 with the TSX. The proposal was conditionally accepted by the TSX the following day.

12. SAG's Board of Directors approved PP1 by resolution dated November 3 or 6, 2003.

13. On November 10 and 11, 2003, SAG made presentations to 75 brokers and accredited investors in Montreal and 90 brokers and accredited investors in Toronto during luncheons held at the AMEX Club. The Respondents have advised Staff that PP1 was discussed at the luncheons in Montreal and Toronto.

14. On November 12, 2003, IBK emailed the term sheet for PP1 to approximately 230 institutions, including brokers, and accredited investors.

15. The financing for PP1 closed on November 27, 2003. By means of a press release dated December 2, 2003, SAG publicly announced the terms and closing of PP1.

16. On December 10, 2003, SAG's counsel filed a Material Change Report in respect of PP1 with the Commission. The Material Change Report refers to November 27, 2003 as the date of the material change.

PP2

17. Around November 14, 2003, Mr. White became aware that there were indications of interest in PP1 in excess of the allotted 50 million units. Mr. White communicated this information to SAG, which in turn communicated the information to SAG's counsel.

18. On November 14, 2003, SAG's counsel sought permission from the TSX to increase the size of PP1, which request was denied.

19. On or about November 17, 2003, IBK sent a draft term sheet for a second private placement to SAG.

20. SAG executed a private placement term sheet with IBK on November 19, 2003 under which SAG proposed to raise up to $3.15 million by issuing up to 40 million units priced at $0.07875 each and IBK was to be the placement agent (the "PP2 Term Sheet"). Each unit was to entitle the holder to acquire one common share of SAG and one whole common share purchase warrant. Each warrant was to entitle the holder to purchase an additional common share of SAG for a purchase price of $0.105 for a period of three years from the closing date.

21. On November 20, 2003, SAG's counsel filed a notice of a proposed private placement in respect of PP2 with the TSX. The proposal was conditionally accepted by the TSX on November 27, 2003.

22. SAG's Board of Directors approved PP2 by resolution dated December 3 or 5, 2003.

23. The financing for PP2 closed on December 10, 2003. By means of a press release dated December 12, 2003, SAG publicly announced the terms and closing of PP2.

24. On December 12, 2003, SAG's counsel filed a Material Change Report in relation to PP2 with the Commission. The Material Change Report refers to December 10, 2003 as the date of the material change.

25. The effect of PP2 was to increase the share capital of SAG by 12.6% on a proforma basis and 21.38% on a fully diluted basis assuming the exercise of all options and warrants outstanding.

26. The combined effect of PP1 and PP2 was to increase the share capital of SAG by 33.7% on a proforma basis and 52.49% on a fully diluted basis assuming the exercise of all options and warrants outstanding.

[1] All amounts in Canadian dollars unless otherwise noted.

Trading by Mr. White and IBK

27. By November 17, 2003, Mr. White and IBK knew that there were indications of interest in excess of the 50 million units allotted to PP1. In addition, by that date, IBK had prepared a second private placement term sheet for SAG, which was executed by IBK and SAG as of November 19, 2003. By November 19, 2003, the Respondents knew that the PP2 term sheet had been signed.

28. On November 17 and 18, 2003, at Mr. White's instruction, IBK sold a total of 8,153,781 shares of SAG held in the name of IBK through five separate sell orders. Approximately 50% of the sales were made for the benefit of IBK. The balance of the sales were in relation to shares held in IBK's house account on behalf of other SAG shareholders, including 450,607 shares for Mr. White and 445,984 shares for Kreative Ventures Limited ("Kreative"), a company owned jointly by Mr. White and his wife.

29. On November 17 and 18, 2003, Mr. White sold a total of 5,213,675 shares of SAG in his own name and 383,924 shares of SAG in the name of Kreative, through four separate sell orders.

30. From November 19, 2003 to December 1, 2003, Mr. White caused IBK to sell a total of 5,002,022 shares of SAG, held in IBK's house account, on behalf of Stephen Houghton, the CEO of SAG, through seven separate sell orders.

31. On December 1, 2003, Mr. White sold 205,948 shares of SAG.

32. Mr. White used approximately 24% of the proceeds from the sale of his freely tradeable SAG shares referred to in paragraphs 28, 29 and 31 above at market prices averaging $0.105 per share to purchase PP2 units for a purchase price of $0.07875 per unit, each unit consisting of a share and one common share purchase warrant that were subject to a four month hold period.

Mr. White and IBK's conduct contrary to the public interest and contrary to section 76 of the Act

33. It is acknowledged that each of the facts referred to in paragraph 27 above constituted a material fact about SAG that was not generally disclosed to the public when Mr. White sold the SAG shares referred to in paragraphs 28 to 31 above and that the Respondents thereby breached subsection 76(1) of the Act and acted contrary to the public interest by trading in SAG shares during the period November 17, 2003 to December 1, 2003.

IBK's failure to maintain policies and procedures was contrary to the public interest

34. During the time of the trading referred to above, IBK did not have in place any internal lists, policies or procedures prohibiting trading in securities of a reporting issuer by IBK, its officers, directors or employees when IBK was in possession of a material fact in relation to the issuer.

35. It is acknowledged that this lack of internal lists, policies and procedures was contrary to the public interest.

36. In response to the publication of OSC Notice 11-758, IBK identified and retained ARA Compliance Support to review and augment IBK's existing policies and procedures manual for IBK and to generally assist IBK with compliance related matters. ARA Compliance Support completed a first draft of the manual in September, 2006. The Respondents advise Staff that the final version of the manual was completed and delivered to IBK's partners and employees in September, 2007. The Respondents advise Staff that the manual has since been updated to address the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*.

Mr. White's failure to disclose the sale of SAG shares on TSX Private Placement Questionnaires was contrary to the public interest

37. In addition to the conduct referred to above, Mr. White filed six inaccurate questionnaires with the TSX in relation to his trading in SAG shares.

38. During the time of PP1, PP2 and PP3 referred to below, subsection 619(c) of Part VI of the TSX Manual entitled "Changes in Capital Structure of Listed Companies" required a listed company to file with the TSX, a Private Placement Questionnaire and Undertaking (the "TSX Questionnaire") completed by each proposed purchaser whereby the purchaser was required to disclose any dealings in the securities of the issuer, directly or indirectly, within the 60 days preceding the date of the TSX Questionnaire and to undertake not to trade the securities during the applicable hold period without the benefit of an exemption from the prospectus requirements.

39. On five occasions, Mr. White used the wrong dates in completing TSX questionnaires in relation to his purchase of PP2 and PP3 units. As a result, the five questionnaires erroneously indicated that Mr. White had no dealings in shares of SAG in the

60 days prior to his purchase of PP2 and PP3 units. In fact, in relation to each of the five questionnaires, Mr. White had sold SAG shares in the 60 day period prior to purchasing PP2 and PP3 units.

40. Mr. White signed a sixth TSX Questionnaire in relation to his purchase of PP3 units with a date of October 25, 2004 and again, represented that he had no dealings with the securities of SAG within the 60 days preceding the date of the questionnaire. In fact, Mr. White had sold over 1.6 million shares of SAG within the 60 days preceding October 25, 2004.

41. It is acknowledged that it was contrary to the public interest for Mr. White to declare in the six TSX questionnaires that he had not traded in SAG shares in the 60 days preceding his purchase of PP2 and PP3 units, when in fact, he had sold SAG shares in each of the 60 day periods preceding his purchase of PP2 and PP3 units.

IV. RESPONDENTS' POSITION

42. On November 17, 2003, in response to the increase in the price for gold described in paragraph 9 above, the daily trading volume for SAG common shares increased from 2,618,175 on Friday, November 14, 2003 to 10,559,887 which made SAG the sixth most actively traded stock on the TSX on this date. On November 18, 2003, SAG became the most actively traded stock on the TSX when the daily trading volume for its common shares increased again to 34,500,200. On November 19, 2003, even though the daily trading volume then declined to 11,363,800 common shares, SAG was still the third most actively traded stock on the TSX.

43. The sales of SAG common shares that are described in paragraphs 28 to 31 above were made in direct response to the increased liquidity for SAG common shares that is described in paragraph 42 above because the increased liquidity accommodated the orderly disposition of blocks of SAG common shares. Mr. White acknowledges that he did not pay sufficient attention to his obligations under subsection 76(1) of the Act at the time of the trading described in paragraphs 28 to 31 above.

V. TERMS OF SETTLEMENT

44. Mr. White agrees to the terms of settlement listed at paragraph 45 below.

45. The Commission will make an Order pursuant to section 127(1) and section 127.1 of the Act that:

a. The Settlement Agreement is approved;

b. Mr. White is reprimanded;

c. Trading in any securities by Mr. White cease for a period of two years subject to the following exceptions:

(i) Mr. White be permitted to trade securities in registered retirement savings plans in which he, either alone or with his spouse, has sole beneficial interest (a "White RRSP");

(ii) Mr. White be permitted to donate to registered charities any securities that he currently holds outside a White RRSP for a period of one hundred and twenty (120) days following the date the Settlement Agreement is approved; and

(iii) Mr. White be permitted to dispose of any securities that he currently holds outside a White RRSP for a period of ninety (90) days following the date the Settlement Agreement is approved and, to use the proceeds from such dispositions to acquire debt securities issued or guaranteed by the Government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction, and to subsequently purchase and sell such debt securities.

d. For the two year period commencing on the date this Settlement Agreement is approved, Mr. White's registration under Ontario securities law shall be suspended, provided that:

(i) Mr. White be permitted to communicate with any existing clients of IBK for a period of thirty (30) days following the date the Settlement Agreement is approved for the sole purpose of advising them of the terms and conditions of this Settlement Agreement and transitioning responsibility for such clients to one or more other registered employees of IBK and thereafter Mr. White be prohibited from communicating with clients of IBK for any purpose involving registerable activity during the remainder of the two year period; and

(ii) Mr. White be permitted to communicate with employees at IBK for the sole purpose of assisting them with the administration of IBK's operations provided that Mr. White does not engage in any registerable activities.

e. Mr. White shall resign all positions that he holds as a director or officer of a registrant and shall not hold any position as a director or officer of a registrant for two years from the date the Settlement Agreement is approved;

f. Mr. White shall resign all positions that he holds as a director or officer of a reporting issuer and shall not hold any position as a director or officer of a reporting issuer for two years from the date the Settlement Agreement is approved;

g. Mr. White shall make a payment by certified cheque to this Commission in the amount of $30,000 for allocation to or for the benefit of third parties pursuant to s. 3.4(2)(b) of the Act; and

h. Mr. White shall make a payment by certified cheque to this Commission in the amount of $55,000 in respect of a portion of the costs of the investigation and proceeding in relation to this matter.

46. IBK agrees to the terms of settlement listed at paragraph 47 below.

47. The Commission will make an Order pursuant to section 127(1) of the Act that:

a. The Settlement Agreement is Approved;

b. IBK be reprimanded; and

c. IBK shall submit to a review of its compliance practices and procedures related to compliance with section 76 of the Act in accordance with the Terms of Reference attached as Schedule "B".

VI. STAFF COMMITMENT

48. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 49 below.

49. If the Commission approves this Settlement Agreement and one of the Respondents fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against that Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

VII. PROCEDURE FOR APPROVAL OF SETTLEMENT

50. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for October 7, 2010, or on another date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.

51. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

52. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

53. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

54. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF SETTLEMENT AGREEMENT

55. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:

a. this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and

b. Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

56. All parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

IX. EXECUTION OF SETTLEMENT AGREEMENT

57. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

58. A fax copy of any signature will be treated as an original signature.

Dated this 5th day of October, 2010

"B. Prill"
Witness

"William F. White"
William F. White

IBK Capital Corp.
Per: "William F. White"

"William F. White"
Name of Authorized Signatory

President
Title:

"Tom Atkinson"
Director, Enforcement Branch

Schedule "A"

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

AND

IN THE MATTER OF
IBK CAPITAL CORP. and WILLIAM F. WHITE

ORDER
(Sections 127 and 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated November 12, 2009 (the "Notice of Hearing) pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act"), in respect of IBK Capital Corp. ("IBK") and William F. White ("White");

AND WHEREAS on November 12, 2009, Staff of the Commission filed a Statement of Allegations in respect of IBK and White;

AND WHEREAS IBK and White entered into a settlement agreement dated October 5, 2010 (the "Settlement Agreement") with Staff of the Commission in relation to the matters set out in the Statement of Allegations;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon considering submissions of IBK, White and of Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement is approved;

2. White is reprimanded;

3. Trading in any securities by White cease for a period of two years subject to the following exceptions:

   (a) White be permitted to trade securities in registered retirement savings plans in which he, either alone or with his spouse, has sole beneficial interest (a "White RRSP");

   (b) White be permitted to donate to registered charities any securities that he currently holds outside a White RRSP for a period of one hundred and twenty (120) days following the date the Settlement Agreement is approved; and

   (c) White be permitted to dispose of any securities that he currently holds outside a White RRSP for a period of ninety (90) days following the date the Settlement Agreement is approved and to use the proceeds from such dispositions to acquire debt securities issued or guaranteed by the Government of Canada, the government of a jurisdiction of Canada or the government of a foreign jurisdiction, and to subsequently purchase and sell such debt securities.

4. For the two year period commencing on the date this Settlement Agreement is approved, White's registration under Ontario securities law shall be suspended, provided that:

   (a) White be permitted to communicate with any existing clients of IBK for a period of thirty (30) days following the date the Settlement Agreement is approved for the sole purpose of advising them of the terms and conditions of this Settlement Agreement and transitioning responsibility for such clients to one or more other registered employees of IBK and thereafter White be prohibited from communicating with clients of IBK for any purpose involving registerable activity during the remainder of the two year period; and

   (b) White be permitted to communicate with employees at IBK for the sole purpose of assisting them with the administration of IBK's operations provided that White does not engage in any registerable activities.

5. White shall resign all positions that he holds as a director or officer of a registrant and shall not hold any position as a director or officer of a registrant for two years from the date the Settlement Agreement is approved;

6. White shall resign all positions that he holds as a director or officer of a reporting issuer and shall not hold any position as a director or officer of a reporting issuer for two years from the date the Settlement Agreement is approved;

7. White shall pay make a payment by certified cheque to this Commission in the amount of $30,000 for allocation to or for the benefit of third parties pursuant to s. 3.4(2)(b) of the Act;

8. White shall make a payment by certified cheque to this Commission in the amount of $55,000 in respect of a portion of the costs of the investigation and proceeding in relation to this matter;

9. IBK is reprimanded; and

10. IBK shall submit to a review of its compliance practices and procedures related to compliance with section 76 of the Act in accordance with the Terms of Reference attached as Schedule “B”.

DATED at Toronto this day of October, 2010.

Schedule "B"

TERMS OF REFERENCE FOR COMPLIANCE REVIEW

A. Retention of Stephanie McManus, Compliance Support Services (the “Consultant”)

(a) The Consultant's reasonable compensation and expenses shall be borne exclusively by IBK Capital Corp. (the "Respondent").

(b) The agreement with the Consultant ("Agreement") shall provide that the Consultant examine and assess the effectiveness of:

(a) the Respondent's internal policies and procedures (the “section 76 Procedures”) that are devoted to ensuring compliance with section 76 of the Act (the “section 76 Prohibition”);

(b) adherence by the Respondent, its officers, directors and employees to IBK’s section 76 Procedures; and

(c) the training programme that has been developed by the Respondent for the purpose of apprising its staff of the section 76 Prohibition, the section 76 Procedures and the potential consequences of any contravention thereof.

(collectively, the "Review").

B. The Consultant's Reporting Obligations

(a) The Consultant shall issue a draft report to the Respondent within 3 months of its appointment.

(b) The Consultant shall engage with the Respondent in discussions regarding the draft report with a view to reaching a consensus and finalizing the report within 1 month of the delivery of the draft report. If requested by the Consultant, the Consultant may explain any areas of disagreement with management of the Respondent.

(c) The Consultant will deliver the final report to the Respondent.

(d) Staff with prior notice may attend at the premises of the Respondent and review the draft and final versions of the Consultant’s report.

(e) The Consultant's draft and final reports shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for any changes or improvements to the Respondent's policies and procedures as the Consultant reasonably deems necessary to conform to regulatory requirements.

(f) The Respondent will, within 60 days after receipt of the Consultant's report, advise the Staff of the OSC ("OSC Staff') of a timetable to implement the recommendations contained in the report; however, in the event the Respondent disagrees with any of the recommendations, the Respondent shall so advise OSC Staff and provide to the Consultant reasons for such position and, if applicable, any alternative actions, policies or procedures the Respondent intends to adopt.

(g) Staff may attend at the premises of the Respondent and may review the Consultant's report with respect to the implementation of the Consultant's recommendations.

(h) The Respondent shall certify to the Commission, by certificate executed on its behalf by the President of the Respondent, that the Respondent has implemented those recommendations of the Consultant which it had agreed upon, and will do so promptly following such implementation.

(i) For greater certainty, the terms of this compliance review do not limit in any respect the authority of the Commission to undertake, as part of its normal course audit activities, a review of all matters within the scope of the Review or any other aspect of the business of the Respondent.

C. Terms of the Consultant's Retention

(a) The appointment of the Consultant shall be made promptly following the approval of the Settlement Agreement, but in any event by no later than thirty (30) days following the date the Settlement Agreement is approved,

(b) The Consultant shall have reasonable access to all of the Respondent's books and records and the ability to meet privately with the Respondent's personnel. The Respondent shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the Review may be grounds for disciplinary action.

(c) The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at the Respondent's expense, lawyers, accountants, and other persons or firms, other than officers, directors, or employees of the Respondent, to assist in the discharge of the Consultant's obligations. The Respondent shall pay all reasonable fees and expenses (as reasonably documented) of any persons or firms so retained by the Consultant.

(d) The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities.

3.1.2 Uranium308 Resources Inc. et al.

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC., MICHAEL FRIEDMAN,
GEORGE SCHWARTZ, PETER ROBINSON, and SHAFI KHAN

SETTLEMENT AGREEMENT
BETWEEN STAFF AND URANIUM308 RESOURCES INC.
AND MICHAEL FRIEDMAN

PART I – INTRODUCTION

1. By Notice of Hearing dated February 23, 2009, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on March 6, 2009, to consider whether it is in the public interest for the Commission to extend a temporary cease trade order (the "Temporary Order") issued on February 20, 2009, pursuant to subsections 127(7) and (8) of the Ontario *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act"), until the conclusion of the hearing or until such further time as considered necessary by the Commission.

2. The Temporary Order was issued against, *inter alia*, Uranium308 Resources Inc. ("U308 Inc.") and against Michael Friedman ("Friedman"). The Commission has ordered that the Temporary Order be extended against U308 Inc. and Friedman on several occasions. On June 30, 2010, the Commission ordered that the Temporary Order against U308 Inc. and Friedman be extended until the completion of the hearing on the merits.

3. By Notice of Hearing dated March 2, 2010, the Commission announced that it proposed to hold a hearing, commencing on March 5, 2010, pursuant to sections 37, 127, and 127.1 of the Act to consider whether it is in the public interest to make orders, as specified therein, against U308 Inc., Friedman, George Schwartz ("Schwartz"), Peter Robinson ("Robinson"), and Shafi Khan ("Khan") (collectively the "Respondents").

4. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37, 127 and 127.1 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of U308 Inc. and Friedman.

PART II – JOINT SETTLEMENT RECOMMENDATION

5. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated March 2, 2010 against U308 Inc. and Friedman (the "Proceeding") in accordance with the terms and conditions set out below. Friedman and U308 Inc. consent to the making of an order in the form attached as Schedule "A", based on the facts set out below.

PART III – AGREED FACTS

Background

6. Uranium308 Synergies Inc. ("Synergies") was incorporated in Ontario in April, 2007.

7. On June 7, 2007, the corporate name of Synergies was changed to Uranium308 Resources Inc. ("U308 Inc.").

8. Friedman is the sole registered Director of U308 Inc. and the President of U308 Inc. Friedman is a resident of Ontario.

9. Schwartz is a resident of Ontario and was a directing mind of U308 Inc. Friedman reported to Schwartz and acted under the instruction of Schwartz.

10. Throughout the time period between and including July 1, 2007 and December 31, 2008 (the "Material Time"), Friedman knew that Schwartz was the subject of a Commission cease trade order in relation to Euston Capital and, as such, Schwartz could not be a registered Director of U308 Inc. Friedman deliberately held himself out as the Director and President of U308 Inc. so that Schwartz' true role as the directing mind of U308 Inc. was concealed.

11. Robinson is a resident of Ontario and was a salesperson of U308 Inc. securities.

12. Khan is a resident of Ontario and was a salesperson of U308 Inc. securities.

Trading in Securities of U308 Inc.

13. The Respondents traded in securities of U308 Inc. during the Material Time.

14. The Respondents traded in securities of U308 Inc. from offices in the Toronto area. The U308 Inc. website and investor relations documents showed two addresses for U308 Inc. that differed from the actual office address. The publicly disclosed addresses were virtual offices.

15. U308 Inc. has never filed a prospectus or a preliminary prospectus with the Commission.

16. U308 Inc. has never been registered with the Commission.

17. Friedman, Schwartz, Robinson and Khan were not registered with the Commission in any capacity during the Material Time.

18. During the Material Time, residents of Ontario and elsewhere in Canada received unsolicited phone calls from salespersons, agents and representatives of U308 Inc. and were solicited to purchase securities of U308 Inc.

19. During the Material Time, Friedman corresponded with investors by e-mail and provided investors and potential investors with subscription agreements in relation to the sale of U308 Inc. securities. Friedman would sign e-mails using the false names used by certain salespeople of U308 Inc.

20. During the Material Time, $2,380,390 was received from 107 individuals and companies (collectively the "Investors") that purchased securities of U308 Inc. as a result of being solicited to do so by the salespersons, agents and representatives of U308 Inc.

21. The salespersons, agents and representatives of U308 Inc. told potential investors that U308 Inc. would be going public in the future and they would receive securities of the public company. Neither of these events have ever happened. Potential investors were also told that U308 Inc. owned certain properties in Zambia and New Mexico.

22. Investors have not been contacted by anyone from U308 Inc. since December 2008 and the securities of U308 Inc. that they own have no determinable value. Accordingly, the funds provided by the Investors have been irrevocably lost.

23. The Respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the Act.

Fraudulent Conduct

24. During the Material Time, the Respondents and other employees, representatives or agents of U308 Inc. provided information to the Investors that was false, inaccurate and misleading, including, but not limited to, the following:

- that U308 Inc. owned certain properties in Zambia and New Mexico, U.S.A.; and
- that the net proceeds of the sale of U308 Inc. securities was to be used for the exploration and development of the Zambian and New Mexico properties.

25. The U308 Inc. website address was www.uranium308resources.com (the "U308 Website") and contained numerous pieces of false, inaccurate and misleading information.

26. The U308 Website claimed that U308 Inc.'s "Zambian holding is a 40% interest in the uranium assets of a 570-sq. km. Property in northwest Zambia in an area known as the Luswishi Dome." U308 Inc. never actually obtained the ownership stake claimed in the Zambian property. The agreement by which U308 Inc. was to acquire this ownership stake was never completed as U308 Inc. did not honour certain terms of the agreement. Moreover, the party that was to vend this ownership stake to U308 Inc. provided a formal Notice of Termination to U308 Inc. as early as February 6, 2008. The U308 Website continued, after that point in time, to assert that U308 Inc. owned the Zambian property as set out above. No steps were taken to advise investors or potential investors of the termination of the contract or even the existence of a dispute with respect to the contract.

27. The U308 Website also contained the following statement,

> "The New Mexico interest consists of a 50% concession in mining claims and leases of lands totaling approximately 3,000 acres near Grants, New Mexico."

This statement was completely false as it describes a property, known as F-33, that U308 Inc. never had any ownership interest in. There was some preliminary discussions with respect to acquiring F-33, but the discussions never progressed in a meaningful way. The F-33 property, described on the U308 Website, was actually acquired in November of 2007 by a company completely unrelated to U308 Inc.

28. The false, inaccurate and misleading representations were made with the intention of effecting trades in U308 Inc. securities.

29. Salespeople used false names when communicating with investors and potential investors in U308 Inc. Khan used the false name "Ken Shaw". Robinson used the false name "Alan Barnard". Robinson also used his own name when dealing with some of the Investors.

30. As set out below in the Use of Funds section of this Part of the Settlement Agreement, approximately $1,470,000 dollars was paid to individuals and companies as compensation for their involvement in the sale of U308 Inc. securities. This constituted approximately 62% of the funds received from the sale of the U308 Inc. securities to the Investors. The Investors were never informed that their funds would be paid out in this manner.

31. Furthermore, a significant amount of funds received from the Investors was used to purchase shell companies. These shell companies performed no function in relation to the stated objectives of U308 Inc. Investors were never informed that their funds would be used in this manner.

32. The Respondents and other employees, representatives or agents of U308 Inc. engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons purchasing securities of U308 Inc.

Misleading Staff of the Commission

33. On May 9 and 16, 2008, Friedman signed two letters to Staff in response to certain inquiries made by Staff with respect to U308 Inc. (the "Letters to Staff"). Both of the Letters to Staff were written by Schwartz and signed by Friedman.

34. Numerous statements contained in the Letters to Staff were, in a material respect and at the time and in light of the circumstances under which they were made, misleading or untrue. The misleading or untrue statements were made with respect to, *inter alia*, the following: the nature of the operations of U308 Inc., the role played by Schwartz in U308 Inc., the financial situation of U308 Inc., and the sale of U308 Inc. securities to persons or companies in Ontario.

35. Specifically, the letter dated May 9, 2008 from U308 Inc. to Staff was misleading with respect to Schwartz's role in the trading of securities of U308 Inc. The letter stated,

> "We have not engaged him [Schwartz], directly or indirectly in any manner, for any securities trading within the definition of "trading" in the provincial securities acts of these jurisdictions, nor for any use of exemptions in these acts. He [Schwartz] did not manage, oversee or otherwise assist in the sale of URI [U308 Inc.] securities, contrary to the allegations of your informant. To the best of our knowledge and belief he has not traded in URI securities in any manner or used any exemption to acquire URI securities."

36. Contrary to the assertions in the May 9, 2008 letter to Staff, Friedman, Schwartz, Robinson, Khan and Gus Gualdieri ("Gualdieri") met with Mr. "J.V.", a potential investor in U308 Inc., in the fall of 2007. This meeting took place in Toronto and Schwartz, Khan and Robinson were in charge of the meeting. The "J.V. Family Trust" purchased 1 million U308 Inc. securities for $250,000 on November 7, 2007.

37. Contrary to the assertions set out in the May 9, 2008 letter, as set out in paragraph 35, *supra*, Schwartz also signed the U308 Inc. share certificates as the Treasurer of U308 Inc.

38. The letter to Staff, dated May 16, 2008, claims that U308 Inc. "generated revenues of $378,000 within our first year". This statement was false as U308 Inc. never generated any revenues.

39. The May 16, 2008 letter to Staff also states that U308 Inc. had raised "NIL" in terms of money raised in Ontario. This was false as, on or about December 11, 2007, U308 Inc. securities were sold to a resident of Ontario, "G.M.".

Funds Received by U308 Inc. and Use of Funds

40. During the Material Time, $2,380,390 was received from Investors in U308 Inc. into three separate bank accounts at the following banking institutions: the Royal Bank of Canada, the Canadian Imperial Bank of Commerce and TD Canada Trust (the "U308 Bank Accounts"). Friedman was the sole signatory on the U308 Bank Accounts.

41. The table below sets out the funds received by U308 Inc. in the U308 Bank Accounts and the use of the funds received into the U308 Bank Accounts:

U308 Bank Accounts

Summary from July 31, 2007 to November 28, 2008

FUNDS IN Summary

Total funds in as cash	$	5,720.00
Total funds from Investors	$	2,380,390.00
Total funds from Peter Robinson	$	17,000.00
Total funds in from unidentified sources	$	20,100.00
Total funds from Michael Friedman	$	50,000.00
Total Funds In		**$2,473,210.00**

FUNDS OUT Summary

Funds out to 1751564 Ontario Inc. (Robinson is the director)	-$	512,360.00
Funds out to 2096516 Ontario Inc. (Robinson is the director)	-$	146,250.00
Funds out to Alexander Branitsky	-$	2,200.00
Funds out to Capital Transfer Agency Inc.	-$	7,987.91
Funds out as Cash	-$	68,772.40
Funds out to David O'Brien	-$	1,850.00
Funds out to Debrebud Capital Corp. (Schwartz is a director)	-$	50,006.50
Funds out to Dorothy Stewart (Qualifier for U308 Inc.)	-$	24,570.20
Funds out to Fred Canagasingham (Qualifier for U308 Inc.)	-$	22,315.20
Total funds out to Herb Groberman (Salesperson for U308 Inc.)	-$	50,500.00
Funds out to Irv Lightstone (Salesperson for U308 Inc.)	-$	24,960.00
Funds out to Kevin Hiles (Salesperson for U308 Inc.)	-$	20,450.00
Funds out to Kevin Wash (Salesperson for U308 Inc.)	-$	10,200.00
Total funds out to Mack Griffiths	-$	11,830.00
Funds out to Mauria Cornwall (Qualifier for U308 Inc.)	-$	18,826.10
Total funds out to Merger Law Associates Limited – London (funds used in connection with the purchase of shell companies)	-$	173,061.74
Funds out to Friedman	-$	60,784.62
Funds out to Mir Enterprises Ltd. (Khan is the director)	-$	25,500.00
Funds out to Mirianne Hyacinthe (Qualifier for U308 Inc.)	-$	13,693.00
Funds out to Miscellaneous individuals and/or entities	-$	121,734.53
Funds out to Murray Shiner (Salesperson for U308 Inc.)	-$	8,500.00
Funds out to North Star Publishing	-$	13,444.61
Funds out to Robinson	-$	214,779.76
Funds out to Platinum International Investments Inc. (Robinson is the director)	-$	61,500.00
Funds out to Randy Lucas (Qualifier for U308 Inc.)	-$	34,583.94
Funds out to Mallpaks Development Limited (re: 207)	-$	66,959.53
Funds out to Robert Geller	-$	24,950.00
Funds out to Khan	-$	74,000.00
Funds out to The Kinti Group Inc. (Gualdieri is the director)	-$	178,080.00
Funds out to The MLJ Group Inc. (Friedman is the officer and director)	-$	99,792.87
Total funds out to The Venture Catalysts (funds used in connection with the purchase of shell companies)	-$	16,070.00
Total funds out to Uranium 308 Resources PLC Uniglobe Oil - Germany	-$	30,989.61
Funds out to World Wide Graphite Producers Ltd.	-$	279,861.49
Total Funds Out		**-$2,471,364.01**

42. Friedman received $99,792.87, paid to his company The MLJ Group Inc. during the Material Time. Friedman also received $60,784.62 directly from U308 Inc. Friedman received a total of $160,577.49 from the U308 Inc. Bank Accounts.

43. It is unclear how much of the "Funds out as Cash", as set out in the table in paragraph 41, *supra*, went directly to Friedman.

44. Friedman provided U308 Inc. with $50,000 on June 5, 2007. These funds were provided in furtherance of commencing the U308 Inc. operations.

45. Schwartz received payments from U308 Inc. via his company, Debrebud Capital Corp., and via payments made to Robinson or Robinson's companies.

PART IV – CONDUCT CONTRARY TO THE PUBLIC INTEREST

46. By engaging in the conduct described above, Friedman and U308 Inc. admit and acknowledge that both Friedman and U308 Inc. contravened Ontario securities law during the Material Time in the following ways:

(a) During the Material Time, Friedman and U308 Inc. engaged or participated in acts, practices or courses of conduct relating to securities of U308 Inc. that the Friedman and U308 Inc. knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;

(b) During the Material Time, Friedman and U308 Inc. traded in securities without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;

(c) During the Material Time, U308 Inc. and representatives of U308 Inc. made representations without the written permission of the Director, with the intention of effecting a trade in securities of U308 Inc., that such security would be listed on a stock exchange or quoted on any quotation and trade reporting system, contrary to section 38(3) of the Act and contrary to the public interest;

(d) During the Material Time, Friedman and U308 Inc. traded in securities of U308 Inc. when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53(1) of the Act and contrary to the public interest;

(e) During the Material Time, Friedman, being a director and officer of U308 Inc., did authorize, permit or acquiesce in the commission of the violations of sections 25, 38, 53 and 126.1 of the Act, as set out above, by U308 Inc. or by the employees, agents or representatives of U308 Inc., contrary to section 129.2 of the Act and contrary to the public interest; and

(f) During the Material Time, Friedman made statements to Staff that, in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue, contrary to section 122(1)(a) of the Act and contrary to the public interest.

47. Friedman admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 46 (a),(b),(d),(e), and (f).

48. U308 Inc. admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 46 (a) to (d).

PART V – TERMS OF SETTLEMENT

49. Friedman and U308 Inc. agree to the terms of settlement listed below.

50. The Commission will make an order, pursuant to sections 37 and s. 127(1) of the Act, that:

(a) the Settlement Agreement is approved;

(b) trading in any securities by Friedman and U308 Inc. cease permanently from the date of the approval of the Settlement Agreement, with the exception that Friedman is permitted to trade in securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(c) the acquisition of any securities by Friedman and U308 Inc. is prohibited permanently from the date of the approval of the Settlement Agreement, with the exception that Friedman is permitted to acquire securities in mutual

funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(d) any exemptions contained in Ontario securities law do not apply to Friedman and U308 Inc. permanently from the date of the approval of the Settlement Agreement;

(e) Friedman and U308 Inc. are reprimanded;

(f) Friedman is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) Friedman is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter; and,

(h) Friedman and U308 Inc. shall disgorge to the Commission, jointly and severally, $2,380,390 obtained as a result of their non-compliance with Ontario securities law. The $2,380,390 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act;

(i) Friedman and U308 Inc. each pay administrative penalties of $100,000 for their failure to comply with Ontario securities law. These $100,000 administrative penalties shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act; and

(j) Friedman cease permanently, from the date of the approval of the Settlement Agreement, to telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities.

51. Friedman and U308 Inc. undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 50. (a) to (g) above.

PART VI – STAFF COMMITMENT

52. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Friedman and/or U308 Inc. in relation to the facts set out in Part III herein, subject to the provisions of paragraph 53 below.

53. If this Settlement Agreement is approved by the Commission, and at any subsequent time Friedman or U308 Inc. fail to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Friedman or U308 Inc. based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

54. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and U308 Inc. and Friedman for the scheduling of the hearing to consider the Settlement Agreement.

55. Staff and Friedman and U308 Inc. agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding Friedman and U308 Inc.'s conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

56. If this Settlement Agreement is approved by the Commission, Friedman and U308 Inc. agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

57. If this Settlement Agreement is approved by the Commission, neither party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

58. Whether or not this Settlement Agreement is approved by the Commission, Friedman and U308 Inc. agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

59. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and Friedman and U308 Inc. leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Friedman and U308 Inc.; and

(b) Staff and Friedman and U308 Inc. shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

60. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of Friedman, U308 Inc. and Staff or as may be required by law.

61. **PART IX. – EXECUTION OF SETTLEMENT AGREEMENT**

62. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement

63. A facsimile copy of any signature will be as effective as an original signature.

Dated this 30 day of September, 2010.

Signed in the presence of:

"Andrea Levans"
Witness

"Michael Friedman"
Michael Friedman

Dated this 30 day of September, 2010.

"David Burke"
Witness

"Michael Friedman"
Uranium308 Resources Inc.
Per: Michael Friedman
Authorized to bind the corporation

Dated this 30 day of September, 2010.

STAFF OF THE ONTARIO SECURITIES COMMISSION

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

Dated this 4th day of October, 2010

SCHEDULE "A"

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

AND

IN THE MATTER OF
URANIUM308 RESOURCES INC.
and MICHAEL FRIEDMAN

ORDER
(Sections 37 and 127(1))

WHEREAS on , the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 37 and 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") in respect of Uranium308 Resources Inc. ("U308 Inc.") and Michael Friedman ("Friedman");

AND WHEREAS U308 Inc. and Friedman entered into a Settlement Agreement with Staff of the Commission dated , 2010 (the "Settlement Agreement") in which U308 Inc. and Friedman agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing, and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for U308 Inc. and Friedman and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

(a) the Settlement Agreement is approved;

(b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by U308 Inc. and Friedman cease permanently, with the exception that Friedman is permitted to trade in securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(c) pursuant to clause 2.1 of section 127(1) of the Act, U308 Inc. and Friedman are each prohibited permanently from the acquisition of any securities, with the exception that Friedman is permitted to acquire securities in mutual funds through a registered dealer for the account of his registered retirement savings plan (as defined in the *Income Tax Act* (Canada));

(d) pursuant to clause 3 of section 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to U308 Inc. and Friedman permanently;

(e) pursuant to clause 6 of subsection 127(1) of the Act, U308 Inc. and Friedman are reprimanded;

(f) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Friedman is prohibited permanently from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(g) pursuant to clause 8.5 of subsection 127(1) of the Act, Friedman is prohibited permanently from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Friedman and U308 Inc. shall each pay administrative penalties of $100,000 for their failure to comply with Ontario securities law. The $100,000 administrative penalties shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act;

(i) pursuant to clause 10 of subsection 127(1) of the Act, Friedman and U308 Inc. shall disgorge to the Commission, jointly and severally, $2,380,390 obtained as a result of their non-compliance with Ontario securities law. The $2,380,390 disgorged shall be for allocation to or for the benefit of third parties, including investors who lost money as a result of purchasing U308 Inc. securities, in accordance with s. 3.4(2) of the Act; and

(j) pursuant to section 37(1) of the Act of the Act, Friedman shall be prohibited permanently from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or in any class of security.

DATED AT TORONTO this day of , 2010.

3.1.3 Barry Landen – ss. 127(1), 127(10)

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

AND

IN THE MATTER OF
BARRY LANDEN

REASONS FOR DECISION
(Subsections 127(1) and 127(10) of the Act)

Hearing:	February 22, 2010	
Decision:	October 12, 2010	
Panel:	James E. A. Turner	- Vice-Chair and Chair of the Panel
	Paulette L. Kennedy	- Commissioner
Counsel:	Hugh Craig	- For Staff of the Commission
	Robert Isles	- For Barry Landen

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REASONS FOR DECISION

I. OVERVIEW

A. BACKGROUND

[1] This was a hearing before the Ontario Securities Commission (the **"Commission"**) held on February 22, 2010 pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the **"Act"**) to consider whether it is in the public interest to make an order imposing certain sanctions against Mr. Barry Landen (**"Landen"**).

[2] A Notice of Hearing in this matter was issued by the Commission on October 7, 2009 and a Statement of Allegations was filed by Staff of the Commission (**"Staff"**) on October 6, 2009.

[3] On November 4, 2008, Madame Justice Shamai of the Ontario Court of Justice released a decision convicting Landen of insider trading contrary to subsections 76(1) and 122(1)(c) of the Act (*R. v. Landen*, 2008 ONCJ 561, CarswellOnt 6531) (the **"Criminal Judgement"**). In a subsequent decision, Shamai J. sentenced Landen to 45 days imprisonment and imposed a fine of $200,000 for his breaches of the Act (*R. v. Landen*, 2009 ONCJ 261, CarswellOnt 3288) (the **"Sentencing Decision"**).

[4] Based on Shamai J.'s findings in the Criminal Judgement, Staff alleges that Landen breached subsection 76(1) of the Act and acted contrary to the public interest and seeks sanctions against Landen permanently barring him from participating in Ontario's capital markets.

[5] Staff relies on subsection 127(10) of the Act, which permits the Commission to make an order under subsections 127(1) or 127(5) in respect of a person or company who has been convicted of an offence arising from a transaction, business or course of conduct relating to securities (subsection 127(10)1) or under a law respecting the buying or selling of securities (subsection 127(10)2).

B. BARRY LANDEN

[6] At the time of the conduct giving rise to the Criminal Judgement, Landen was Vice-President, Corporate Affairs of Agnico-Eagle Mines Limited (**"Agnico-Eagle"**), a Canadian gold mining company that is publicly traded on the Toronto Stock Exchange (the **"TSX"**) and the New York Stock Exchange (the **"NYSE"**).

[7] Landen was a trustee for Jakmin Investments Limited (**"Jakmin"**), a corporation that held the common shares of Agnico-Eagle owned by the estate of the founder of Agnico-Eagle. Landen was the sole person with trading authority over Jakmin's interest in Agnico-Eagle.

[8] At the time of the hearing Landen was 57 years old.

C. THE EVENTS OF OCTOBER 2003

[9] Staff alleges that Landen, as a member of Agnico-Eagle senior management, became aware on October 9, 2003 that Agnico-Eagle's largest asset, the LaRonde Mine, was experiencing a reconciliation problem in its gold production in the third quarter of 2003. Staff alleges that in early October 2003, Landen was also aware that Agnico-Eagle might be required to lower its long-term gold production forecast.

[10] In four trades made on October 10, 2003 and October 24, 2003, Landen caused Jakmin to sell all of its 32,237 common shares of Agnico-Eagle.

[11] Agnico-Eagle's third quarter results were released publicly on October 29, 2003. The news release issued on that day announced a net loss for the third quarter, a reduction in the annual forecast of gold production and a reduction in the forecast for gold production for 2004.

[12] The next day, October 30, 2003, the price of Agnico-Eagle common shares fell by 22% (Criminal Judgement, *supra* at para. 10).

[13] Shamai J. concluded that the loss avoided by the trades was $115,000 (Sentencing Decision, *supra* at para. 61).

II. ANALYSIS

A. THE CRIMINAL JUDGEMENT AND THE SENTENCING DECISION

[14] On October 1, 2003, Landen was present at a meeting of a group of Agnico-Eagle senior management and advisors, called to respond to a hostile take-over bid. At that meeting, Sean Boyd, the chief executive officer of Agnico-Eagle, discussed "possibly lowering the bar" for Agnico-Eagle's long-term gold projection. Shamai J. summarized that discussion and her conclusions in the Criminal Judgement as follows:

> Mr. Boyd described his wish to "rebuild production targets" for the upcoming quarter and the following year in the strategy part of the meeting.
> …
>
> It does not appear that the reduction of 2004 production guideline was at that point more than a possibility. However, the significance of it was considerable. In fact when interviewed by the OSC in November 2004, Mr. Boyd described the critical factor in the impact which the October 2003 quarterly report had on the market as the perception that LaRonde was a 300,000 ounces mines, not a 400,000 ounces mine, in terms of annual production. … The impact which a reduction in production might would [sic], by all measures, be significant. … In the context of a company whose credibility was suffering, to the knowledge of management, because of repeated production forecasts which could not be met, and which was about to announce a significant shortfall in quarterly production, based even on preliminary numbers, the possibility was real. In measuring magnitude and probability separately then "discounting the potential magnitude by the probability of non-occurrence", the "unspecified minimum threshold of materiality" is met. I must conclude that Mr. Boyd's reference to "lowering the bar" at the October 1, 2006 meeting amounted to a material fact.
>
> (Criminal Judgement, *supra* at paras. 97 and 99)

[15] On October 9, 2003, Landen attended a meeting of Agnico-Eagle senior management, where a shortfall in gold production at the LaRonde mine was discussed. In the Criminal Judgement, Shamai J. summarized that discussion and her conclusions as follows:

> … Mr. Scherkus and Mr. Boyd testified that at the October 9, 2003 meeting, the reconciliation issue was vastly more significant than in any other monthly report. There was a discrepancy of 16.5%: 6000 ounces difference between the projected gold output and the actual output. The highest previous discrepancy was 2000 ounces. This reconciliation issue was in the context of a production total of 51,000 ounces for the quarter, a number which made the achievement of the Q3 projections and consequently the year's production an [*sic*] virtual impossibility. The significance was magnified. … It had grave implications not only for that quarter and that month, but for the entire enterprise at LaRonde, then the only producing asset of [Agnico-Eagle]. A plan was immediately put in place, to conduct labour intensive tests of the ore as it came out of the ground and as well to audit the mill. Clearly, there was great significance of this reconciliation discrepancy for senior management at [Agnico-Eagle]. …
> …
>
> In the result, I view the reconciliation issue as a material fact. There is no evidence to suggest that anyone, but those present at the October 9 meeting, including Mr. Landen, and the pertinent staff, was aware of the reconciliation issue. Unlike production and mine issues which had been the subject of previous press releases, public discussions, and analyst opinions, the reconciliation issue was not disclosed to the general public.
>
> (Criminal Judgement, *supra* at paras. 93 and 95)

[16] As a result, Shamai J. concluded that Landen had knowledge of two material facts that were not generally disclosed when he traded in common shares of Agnico-Eagle held by Jakmin on October 10, 2003 and October 24, 2003. Those material facts were that:

> 1. Agnico-Eagle was experiencing financial problems or mine production problems in the third quarter of 2003 that would likely negatively affect the share price of Agnico-Eagle, including but not limited to a problem with reconciliation; and
>
> 2. the senior management of Agnico-Eagle was considering reducing its long-term gold production forecast including but not limited to its forecast for 2004.
>
> (Criminal Judgement, *supra* at paras. 2 and 111)

[17] Shamai J. made the following comments with respect to Landen's conduct:

> Exceptionally high mill discrepancy, profoundly low quarterly production: the significance would be obvious to someone as experienced as was Mr. Landen, just as it was to the members of the senior management team who testified about the meeting.
> …
>
> Not only is his possession of that information the natural inference from his attendance at the meetings, there are a number of circumstances which shade his actions with consciousness of guilt. Mr. Landen did not comply with the internal company policies and Code of Business Conduct and Ethics. He did not comply with reporting obligations under the *Ontario Securities Act*, requirements he was well aware of, considering numerous and recent filings of that sort. The statement he made in the presence of his own counsel, to the Board of Directors on December 1, 2004, in the context of an internal investigation into a possible breach of hiss [*sic*] employment contract, that he did not consider his status as an insider affecting the sale of Jakmin shares, is not credible. Mr. Landen was a long-time officer of [Agnico-Eagle], trained in accountancy. He had sole trading responsibility for all the securities held by the company which survived the founder of the company he worked for. He enjoyed an exceptional level of trust, given that portfolio. He decided to liquidate the entirety of the holdings in the company which the creator of the holding company had founded. Although it is hardly necessary, given the simple fact of his attendance at the meetings where these items were discussed, the dubious and shady way Mr. Landen dealt with these transactions adds to the atmosphere of suspicion attendant upon them.
>
> (Criminal Judgement, *supra* at paras. 108 and 109)

[18] Shamai J. found beyond a reasonable doubt that:

> (a) Landen was in a special relationship with Agnico-Eagle, being an officer of Agnico-Eagle;
>
> (b) Landen sold securities of Agnico-Eagle;

(c) Landen had knowledge of material information about Agnico-Eagle at the time he sold; and

(d) the material information had not been generally disclosed.

(Criminal Judgement, *supra* at para. 111)

[19] Accordingly, Shamai J. found that Landen contravened subsections 76(1) and 122(1)(c) of the Act.

[20] Charges that Landen violated subsections 76(2) and 122(1)(c) of the Act by informing another person of the material information (i.e., by "tipping" that person) were dismissed.

[21] Landen was sentenced to 45 days imprisonment and was ordered to pay a $200,000 fine (Sentencing Decision, *supra* at paras. 65 and 66).

B. SUBSECTION 127(10) OF THE ACT

[22] Subsection 127(10) of the Act provides as follows:

> **127 (10) Inter-jurisdictional enforcement** – Without limiting the generality of subsections (1) and (5), an order may be made under subsection (1) or (5) in respect of a person or company if any of the following circumstances exist:
>
> 1. The person or company has been convicted in any jurisdiction of an offence arising from a transaction, business or course of conduct related to securities.
>
> 2. The person or company has been convicted in any jurisdiction of an offence under a law respecting the buying or selling of securities.
>
> 3. The person or company has been found by a court in any jurisdiction to have contravened the laws of the jurisdiction respecting the buying or selling of securities.
>
> …

[23] Staff submits that the findings of Shamai J. in the Criminal Judgement give us jurisdiction to impose sanctions under subsection 127(1) of the Act in the circumstances contemplated by subsection 127(10) of the Act.

[24] Subsection 127(10) was added to the Act and became effective on November 27, 2008, well after the events that gave rise to the Criminal Judgement (which occurred in October 2003).

[25] In *Re Euston Capital Corp.* (2009), 32 O.S.C.B. 6313 (**"*Euston Capital*"**), the Commission concluded that subsection 127(10) can be the grounds for an order in the public interest under subsection 127(1) of the Act, based on a decision and order made in another jurisdiction:

> … we conclude that we can make an order against the Respondents pursuant to our public interest jurisdiction under section 127 of the Act on the basis of decisions and orders made in other jurisdictions, if we find it necessary in order to protect investors in Ontario and the integrity of Ontario's capital markets.
>
> (*Euston Capital*, *supra* at para. 26)

[26] In a recent decision, the Commission found that the respondent's criminal conviction for fraud over $5,000 in the Ontario Superior Court of Justice, pursuant to subsection 380(1) of the *Criminal Code*, R.S.C. 1985, c. C-46, could be relied upon by the Commission, in the circumstances contemplated by subsection 127(10), to make an order in the public interest under subsection 127(1) (*Re Lech* (2010), 33 O.S.C.B. 4795 (**"*Lech*"**)).

[27] In *Euston Capital*, the Commission also concluded that the presumption against retrospectivity does not apply to public interest orders made by the Commission in the circumstances contemplated by subsection 127(10):

> Based on a plain reading of subsection 127(10) in the context of section 127 as a whole, and after taking into account the Supreme Court of Canada's decisions in *Brosseau* and *Asbestos*, we conclude that the purpose of purpose of [*sic*] subsection 127(10) is to protect the public. Hence, the presumption against retrospectivity is not applicable, and subsection 127(10) may operate retrospectively.
>
> While the courts in *Brost* and *Thow* had to consider the retrospective application of a provision which expanded the sanctioning powers of a securities regulator, subsection 127(10) of the Act does no such thing. Rather, subsection 127(10) of the Act simply allows the Commission to consider any convictions or orders made against an individual in other jurisdictions, when deciding whether or not to make an order under subsection 127(1) or (5) in the public interest.

> Moreover, this Commission has considered the conduct of individuals in other jurisdictions in the past when making an order under subsections 127(1) and (5) in the public interest, even before subsection 127(10) came into effect …
>
> (*Euston Capital*, *supra* at paras. 56-58)

[28] A similar finding was made by the Commission in *Lech*, *supra* at paragraphs 24 to 32 and in *Re Elliott* (2009), 32 O.S.C.B. 6931 at paragraphs 16 to 26.

[29] We therefore find that we are entitled to make a public interest order under subsection 127(1) of the Act in the circumstances contemplated by subsection 127(10), based on the Criminal Judgement and the Sentencing Decision, notwithstanding the fact that the relevant events took place in October 2003.

C. SUBMISSIONS OF THE PARTIES

Staff's Submissions

[30] Staff request the following sanctions be ordered by the Commission against Landen:

(a) a permanent prohibition on trading in securities,

(b) a permanent prohibition on the acquisition of securities,

(c) a permanent exclusion from reliance on securities law exemptions,

(d) a reprimand,

(e) an order that Landen resign any positions held as a director or officer of an issuer, registrant or investment fund manager,

(f) a permanent prohibition on becoming or acting as a director or officer of any issuer, and

(g) a permanent prohibition on becoming or acting as a promoter.

[31] Staff is not seeking any monetary sanctions. Staff submits that an order for a monetary sanction is not warranted in the circumstances because of Landen's current financial circumstances and the fact that a $200,000 fine was imposed for trading in which the loss avoided was $115,000. Staff is not seeking monetary sanctions, so we will not address whether or not such sanctions would be appropriate or warranted in the circumstances.

[32] In imposing sanctions, Staff asks us to consider Landen's senior position with Agnico-Eagle. As vice-president of a major Canadian mining company that was listed on the TSX and the NYSE, he was trusted with sensitive market information. Staff submits that he improperly used that sensitive information when he sold all of the shares of Agnico-Eagle held by Jakmin. Staff submits that Landen was experienced in the marketplace and would have been aware of the insider trading prohibition.

[33] Staff characterizes Landen's actions as an egregious breach of trust and his offence of insider trading as one of the most serious offences under the Act.

[34] Staff submits that we are entitled to impose sanctions based solely on the evidence before us, which consists only of the Criminal Judgement and the Sentencing Decision.

Landen's Submissions

[35] Counsel for Landen agrees that subsection 127(10) can be the basis for Commission sanctions under subsection 127(1) of the Act in reliance on the Criminal Judgement and the Sentencing Decision and the facts contained in them. However, he submits, based on the Commission's decision in *Euston Capital*, that while the Commission is permitted to do so, it is not mandatory that we do so.

[36] Landen does not contest the fact that he was convicted of insider trading. He admits that he made the relevant trades at a time when he was a vice-president of Agnico-Eagle and therefore an insider. However, he submits that there is a spectrum of material information that must be disclosed to the public and that some material information is more significant than other material information. He submits that the two material facts at issue here are at the lowest end of that spectrum.

[37] Landen's counsel describes Landen as a "low level" vice-president and submits that Landen did not have responsibilities commensurate with that status. He submits that Landen was not one of Agnico-Eagle's inner circle of management, as Staff suggests.

[38] Landen also objects to and disagrees with Staff's allegation that Jakmin avoided a loss of $115,000 through his trades on October 10 and October 24, 2003. His counsel submits that despite Shamai J.'s finding that the material facts at issue were disclosed in Agnico-Eagle's third quarter news release on October 29, 2003, upon review of that news release, he is unable to find that disclosure. Accordingly, Landen submits that there is no clear date from which to calculate the loss avoided by his trading. He submits that we should review the news release and consider that issue in making our decision.

[39] Landen submits that the following terms would be appropriate in the circumstances:

(a) that he be permitted to trade in and acquire securities for his own account to better enable him to pay the $200,000 fine owed as a result of the Sentencing Decision;

(b) that any sanctions include carve-outs that would permit him to rely on the accredited investor and private company exemptions;

(c) that a 10-year prohibition on becoming or acting as a director or officer of a reporting issuer would be more appropriate than the permanent bans requested by Staff; and

(d) that a 10-year prohibition on becoming or acting as a promoter would be a more appropriate sanction than a permanent prohibition.

[40] Landen submits that his circumstances can be distinguished from those in other Commission insider trading cases. Landen submits that he was entirely passive in the circumstances that gave rise to the material information and he did not prevent or interfere with the disclosure of that information. He makes that submission in distinguishing his conduct from that of the respondent in *Re Harper* (2004, 27 O.S.C.B. 3937 (**"*Harper*"**). Landen also submits that the trades were executed for the benefit of Jakmin and that he did not benefit personally.

D. FINDINGS

[41] We rely on the facts and the conclusions set out in the Criminal Judgement and the Sentencing Decision.

[42] Landen was found in the Criminal Judgement to have breached subsections 76(1) and 122(1)(c) of the Act. That constitutes a conviction for an offence under a law respecting the buying or selling of securities as well as a conviction for an offence arising from a transaction, business or course of conduct related to securities, within the meaning of subsection 127(10) of the Act.

[43] We are not required to make an order under subsection 127(1) in this matter, but we may do so if we consider it to be in the public interest. In our view, it is not appropriate for us in exercising that jurisdiction to revisit or second-guess the court's findings of fact or legal conclusions. We note in this respect that Shamai J. concluded in the Sentencing Decision that the loss avoided by reason of the trading by Landen was $115,000 (see the Sentencing Decision, *supra* at para. 61). We are not prepared to revisit or second-guess that conclusion. We note that Landen has not suggested a different amount as the loss actually avoided or how that different amount would be calculated. Having said that, the loss avoided is simply one factor to be considered by us in imposing sanctions.

[44] Based on the evidence before us, we find that Landen breached subsection 76(1) of the Act and acted contrary to the public interest.

E. SHOULD AN ORDER FOR SANCTIONS BE IMPOSED?

[45] We must consider the purposes of the Act when exercising our public interest jurisdiction under section 127 of the Act. Those purposes, set out in subsection 1.1 of the Act, are:

(a) to protect investors from unfair, improper or fraudulent practices; and

(b) to foster fair and efficient capital markets and confidence in capital markets.

[46] In pursuing these purposes, we must have regard for the fundamental principles described in subsection 2.1 of the Act. That section provides that one of the primary means for achieving the purposes of the Act is restrictions on fraudulent and unfair market practices and procedures.

[47] An order under section 127 of the Act is protective and preventive in nature. As stated in *Re Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600 at 1610-1611:

> … the role of this 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 [now 122] 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.

[48] The Supreme Court of Canada has also held that the Commission may impose sanctions which have as their objective general deterrence. The Supreme Court of Canada stated that: "…it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative" (*Re Cartaway Resources Corp.*, [2004] 1 S.C.R. 672 at para. 60).

[49] Although Landen has been sentenced by the Ontario Court of Justice for the offence of insider trading, the Commission retains jurisdiction to make orders in the public interest under section 127 of the Act relating to the same acts.

[50] After considering all of the relevant facts and circumstances, we find that it is in the public interest to make an order against Landen under subsection 127(1) of the Act. The principal objective of that order is to protect investors in this jurisdiction from future unfair or improper conduct by Landen.

F. THE APPROPRIATE SANCTIONS

[51] In determining the nature and duration of the appropriate sanctions, we must consider all of the relevant facts and circumstances before us, including:

(a) the seriousness of the offence committed,

(b) the respondent's experience in the marketplace,

(c) whether or not the respondent has recognised the seriousness of the offence committed,

(d) whether or not the sanctions imposed may serve to deter not only the respondent but any like-minded people from engaging in similar conduct, and

(e) any mitigating factors.

(See, for instance, *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 (**"*Belteco*"**) at paragraphs 25 and 26.)

[52] We considered the following facts and circumstances in determining the sanctions that should be ordered against Landen under subsection 127(1) of the Act:

(a) Landen has been convicted of insider trading by the Ontario Court of Justice, contrary to subsections 76(1) and 122(1)(c) of the Act;

(b) Landen's insider trading resulted in a loss avoided by Jakmin of $115,000;

(c) the trades were made at a time when Landen was Vice-President, Corporate Affairs of Agnico-Eagle;

(d) Landen also breached Agnico-Eagle's company policy on trading during a "blackout period";

(e) Landen did not comply with the insider reporting obligations under Ontario securities law with respect to the trades;

(f) Landen was in a position of trust, with sole trading responsibility for the securities held by Jakmin Trust;

(g) Landen's actions were also held to be a breach of trust (see paragraph 63 of the Sentencing Decision);

(h) Landen's senior position, market experience and his age; and

(i) Landen's apparent lack of remorse for his actions (see paragraph 64 of the Sanctions Decision).

[53] We have also considered the fact that Landen was fined $200,000 and was sentenced to imprisonment for 45 days, under the Sentencing Decision.

[54] We do not accept Landen's submissions that the sanctions that should be ordered should be mitigated because the material facts underlying the Criminal Judgement are at the low end of the spectrum of materiality. Landen traded with knowledge of material facts obtained through his position as an officer of a reporting issuer. Shamai J. held that it should have been clear to him in the circumstances that he could not trade while in possession of that knowledge.

[55] We do not consider the fact that Landen may not have been part of the "inner circle" of senior management of Agnico-Eagle or that the shares that were sold were owned by Jakmin to be mitigating circumstances.

[56] Insider trading is an extremely serious offence under the Act and we see no significant mitigating circumstances in this case.

[57] We have reviewed the Commission and other decisions on sanctions referred to us by Staff and Landen in assessing the sanctions appropriate in this case. In reviewing those decisions, we note that each case depends upon its particular facts (*Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 at paras. 9 and 10 and *Belteco*, *supra* at para. 26). It is a matter of judgement in each case as to what the appropriate sanctions should be. Generally, more recent decisions should be given greater weight in light of the evolution of the regulatory approach to sanctions over time. Ultimately, the question before us is whether the overall sanctions to be imposed are in the public interest in light of all of the circumstances.

[58] We have reviewed the following Commission decisions in coming to a conclusion as to the appropriate sanctions to be imposed in this matter: *Harper*, *Re Duic* (2004), 27 O.S.C.B. 2754 (**"*Duic*"**), *Re Zuk* (2007), 30 O.S.C.B. 3967, *Re Melnyk* (2007), 30 O.S.C.B. 5253, *Re Rankin* (2008), 31 O.S.C.B. 3303 (**"*Rankin*"**), *Re Leung* (2008), 31 O.S.C.B. 8764 (**"*Leung*"**) and *Re Rajeev Thakur* (2009), 32 O.S.C.B. 4201 (**"*Thakur*"**). Counsel for Landen also referred us to, and we have reviewed, the decision of the British Columbia Securities Commission in *Re Torudag* (2009), BCSECCOM 339 and the decision of the Alberta Securities Commission in *Re Laprade* (2009), ABASC 14. We note that permanent cease trade and market prohibition orders were made in *Duic*, *Rankin*, *Leung* (with a carve-out) and *Thakur* (with a carve-out).

[59] *Harper* and *Leung* may be the most relevant decisions for our purposes.

[60] In *Harper*, the respondent was convicted of insider trading and sentenced to six months imprisonment and a fine of $2.4 million in circumstances in which a loss of $1,364,536 was avoided. In that case, the Commission ordered that the respondent be prohibited from trading in securities for 15 years, with carve-outs for trading for his own account, and that he be prohibited from becoming or acting as a director or officer of a reporting issuer for 15 years.

[61] In *Leung*, the Commission ordered, pursuant to a settlement agreement, a permanent prohibition on trading in and acquiring securities, with a carve-out to permit trading in mutual fund securities, and payments of an administrative penalty and costs, where the profit from the insider trading was $51,568.61.

[62] Landen requests that any sanctions imposed permit him to trade for his own account and Staff takes no position on whether such a carve-out from any trading prohibition would be appropriate.

[63] We believe that it is appropriate for any trading prohibition to include a limited carve-out that would permit Landen to trade for his own account pursuant to a registered retirement savings plan or a registered retirement income fund. We do not find it appropriate to provide a more general trading carve-out. In our view, a person who commits a serious insider trading offence should have limited rights to trade securities in the future.

[64] After considering all of the facts and circumstances, we have concluded that it is in the public interest to make an order under subsection 127(1) of the Act imposing the following sanctions on Landen:

(a) Landen shall be prohibited from trading in securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only (and he must close any trading accounts that are not in his name only);

(b) Landen shall be prohibited from acquiring securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only.

(c) exemptions in Ontario securities law (as defined in the Act) shall not apply to Landen for a period of twelve years from the date of this order, except to permit the trading authorized under paragraphs (a) or (b) above;

(d) Landen shall be reprimanded;

(e) Landen shall be ordered to resign any positions he holds as a director or officer of a reporting issuer, registrant or investment fund manager;

(f) Landen shall be prohibited from becoming or acting as a director or officer of any reporting issuer, registrant or investment fund manager for a period of twelve years from the date of this order; and

(g) Landen shall be prohibited from becoming or acting as a promoter for a period of twelve years from the date of this order.

III. CONCLUSION

[65] Accordingly, we find that it is in the public interest to issue an order substantially in the form attached as Schedule A hereto.

Dated at Toronto this 12th day of October, 2010.

"James E. A. Turner" "Paulette L. Kennedy"

SCHEDULE A

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

AND

IN THE MATTER OF
BARRY LANDEN

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on November 4, 2008, the Ontario Court of Justice released a decision convicting Barry Landen ("Landen") of insider trading contrary to subsections 76(1) and 122(1)(c) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") (the "Criminal Judgement");

AND WHEREAS, as a result of the Criminal Judgement, Landen was sentenced to 45 days imprisonment and was fined $200,000 by the Ontario Court of Justice;

AND WHEREAS Staff of the Commission filed a Statement of Allegations in this matter on October 6, 2009 and the Commission issued a Notice of Hearing on October 7, 2009;

AND WHEREAS on February 22, 2010, the Commission held a hearing to consider whether it is in the public interest to make an order against Landen based on the Criminal Judgement, pursuant to subsection 127(1) of the Act in the circumstances contemplated by subsection 127(10) of the Act;

AND WHEREAS on October 12, 2010, the Commission issued its Reasons for Decision in this matter;

AND WHEREAS we find that it is in the public interest to make an order against Landen pursuant to subsections 127(1) of the Act;

IT IS ORDERED THAT:

(a) Landen is prohibited from trading in securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only (and he must close any trading accounts that are not in his name only);

(b) Landen is prohibited from acquiring securities for a period of twelve years from the date of this order, subject to a carve-out to allow him to trade securities for the account of any registered retirement savings plans and/or any registered retirement income funds (as defined in the *Income Tax Act* (Canada)) in which he and/or his spouse have sole legal and beneficial ownership, provided that:

(i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges), are issued by a mutual fund that is a reporting issuer or are debt securities;

(ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than one percent of the outstanding securities of the class or series of the class in question; and

(iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;

(c) exemptions in Ontario securities law (as defined in the Act) do not apply to Mr. Landen for a period of twelve years from the date of this order, except to permit the trading authorized under paragraphs (a) or (b) above;

(d) Landen is reprimanded;

(e) Landen is ordered to resign any positions he holds as a director or officer of a reporting issuer, registrant or investment fund manager;

(f) Landen is prohibited from becoming or acting as a director or officer of any reporting issuer, registrant or investment fund manager for a period of twelve years from the date of this order; and

(g) Landen is prohibited from becoming or acting as a promoter for a period of twelve years from the date of this order.

Dated at Toronto this 12th day of October, 2010.

James E. A. Turner Paulette L. Kennedy

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Yaletown Capital Corp.	08 Oct 10	20 Oct 10		
TLC Vision Corporation	08 Oct 10	20 Oct 10		

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Cleanfield Alternative Energy Inc.	30 Sept 10	12 Oct 10		14 Oct 10	

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Cleanfield Alternative Energy Inc.	30 Sept 10	12 Oct 10		14 Oct 10	

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Chapter 5

Rules and Policies

5.1.1 Notice of Amendments to National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and related and consequential amendments

NOTICE OF AMENDMENTS TO
NATIONAL INSTRUMENT 51-101 *STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES*
AND RELATED AND CONSEQUENTIAL AMENDMENTS

October 15, 2010

Introduction

We, the Canadian Securities Administrators (CSA), are implementing amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and its related forms (the Forms) and companion policy (51-101CP) (collectively, the Instrument).[1]

NI 51-101 sets out the annual filing requirements for reporting issuers who are involved in oil and gas activities, notably in respect of their estimates of reserves and resources. In addition, NI 51-101 sets out the general disclosure standards for reporting issuers who are reporting on their oil and gas activities. The disclosure standards apply to any disclosure made by a reporting issuer throughout the year.

The text of the amendments and blacklined versions of the Instrument showing changes made since publication for comment follow the appendices.

The amendments to the Instrument have been made, or are expected to be made, by each member of the CSA. Provided that all necessary ministerial approvals are obtained, the amendments to the Instrument will come into force on **December 30, 2010**.

Substance and purpose of the amendments

In Ontario, the amendments to the Instrument and the other materials required to be delivered to the minister responsible for oversight of the Ontario Securities Commission were delivered on October 14, 2010.

The amendments to the Instrument fall into the following broad categories: amendments for clarification, amendments to codify existing staff guidance and practice, and added requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.

Background

We published proposed amendments for comment on December 18, 2009. The comment period ended in March 2010. During the comment period, we received submissions from 8 commenters. We have considered the comments received and thank all of the commenters. Appendix A identifies the commenters and Appendix B summarizes their comments and our responses. The comment letters can be viewed on the Alberta Securities Commission website at www.albertasecurities.com.

After considering the comments, we made changes to the amendments that we had published for comment. However, as these changes are not material, we are not republishing the amendments, as changed, for further comment.

See Appendix C for a summary of the changes made to the amendments as originally published.

Consequential and related amendments

Item 5.5 of Form 41-101F1 *Information Required in a Prospectus* will be amended. CSA Staff Notice 51-324 and CSA Staff Notice 51-327 will be amended as of December 30, 2010 to reflect changes to the Instrument.

The text of the amendments follows or can be found elsewhere on a CSA member website.

[1] In Ontario, paragraphs 143(1) 22, 24, 39 and 39.1 of the Securities Act provide the Ontario Securities Commission with authority to make the amendments to the Instrument.

Questions

Please refer your questions to any of the following:

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Appendix A

LIST OF COMMENTERS

Proposed Amendments to National Instrument 51-101
Standards of Disclosure for Oil and Gas Activities
Request for Comment December 18, 2009

	COMMENTER	NAME	DATE
1.	Husky Energy Inc.	Janice Knoechel, P. Eng Fred Au-Yeung, P. Eng	March 17, 2010
2.	Northwest & Ethical Investments L.P.	John Kearns Bob Walker	March 19, 2010
3.	Nexen Inc.	Rick Beingessner	March 19, 2010
4.	Suncor Energy Inc.	Shawn P. Poirier	March 19, 2010
5.	Imperial Oil Limited	Paul A. Smith	March 19, 2010
6.	Macleod Dixon LLP	Kevin E. Johnson	March 19, 2010
7.	ARC Resources Ltd.	David Carey	March 19, 2010
8.	Cenovus Energy Inc.	Eric Geppert	March 26, 2010

Appendix B

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

Summary of Comments and CSA Responses

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	***Summarized Comment***	***CSA Response***
NATIONAL INSTRUMENT 51-101 *STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES*			
1.	Paragraph 1.1(v) Definitions *product type*	One commenter expressed its view that a separate product type designation for oil sands mining should be required to allow investors to understand that the unique risks associated with oil sands mining apply to that particular volume or value of reserves.	Product types indicate the type of material being extracted, not the method of extraction. Disclosure of risk factors associated with the method of extraction are addressed by other disclosure requirements. We therefore have not made the suggested change.
2.	Subparagraph 2.1 3(e)(ii) Report of Management and Directors	One commenter suggested that the words “on behalf of the board of directors” be removed because the report is not a report of the board per se and board members bear no direct statutory civil liability as in the context of a prospectus.	We have not made the suggested change. Form 51-101F3 prescribes a report of an issuer's management and board of directors, for which each of the issuer's directors (among others) bears statutory civil liability.
3.	Section 5.3 Classification of *Reserves* and of *Resources* other than *Reserves*	One commenter was uncertain, from the wording of section 5.3, whether an issuer could supplement disclosure made in accordance with COGE Handbook (**COGEH**) with other disclosure prepared in accordance with different regimes. The commenter called for clarification either by amendment to the instrument or by companion policy guidance to the effect that COGEH and US rules are the same.	We have not made a change to the extent suggested by the commenter. A key investor-protection objective underlying NI 51-101 was to enhance the reliability and comparability of oil and gas disclosure in Canada. NI 51-101 disclosure requirements are minimum requirements; expanded commentary in 51-101CP clarifies the CSA view that additional disclosure can be provided, although it must not contravene NI 51-101. We have updated item 2.2 of Form 51-101F1, which permits supplementary disclosure of reserves estimates computed using constant prices and costs, to reflect changes to the similar approach recently adopted in the US. This may go far to address the commenter's concern, as it addresses a type of supplementary disclosure with which investors may already be conversant.
4.	Section 5.3 Classification of *Reserves* and of *Resources* other than *Reserves*	One commenter suggested that this provision requires modification to permit disclosure of discovered petroleum initially-in-place (**PIIP**) without breaking it down into contingent resources, unrecoverable resources and reserves when such more specific estimates have not yet been made.	Section 5.3 requires issuers to use the terminology and classifications specified in COGEH. These include "discovered PIIP". Indeed, new subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP without further sub-categorization so long as the disclosure (i) explains why total, discovered or undiscovered PIIP is the most specific applicable category and (ii) includes the prescribed cautionary statement.

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	***Summarized Comment***	***CSA Response***
5.	Paragraph 5.9(2)(a) Disclosure of *Resources* Other than *Reserves*	One commenter opined that the requirement for estimates to be prepared or audited by a qualified reserves evaluator or auditor is too onerous. It appears to preclude issuers from disclosing numbers prepared by outside parties, such as the ERCB. The commenter suggested that companies should be able to quote numbers published by such parties, so long as the party quoted is fully disclosed and the source is reputable.	We have not made the suggested change. The requirement for involvement of a qualified reserves evaluator or auditor in the preparation of reserves and resources estimates disclosed by an issuer under NI 51-101 is fundamental to the objectives underlying the instrument: enhanced reliability and comparability of oil and gas disclosure. We do not consider that simply reproducing "numbers" prepared by third parties – whose purposes, responsibilities and applicable standards might be quite different from those of capital market regulators – would serve these objectives. NI 51-101 already recognizes that third-party-sourced data may be useful, and permits its use for specified purposes; see, for example, section 5.10 *Analogous Information*.
6.	Paragraph 5.9(2)(b) Disclosure of *Resources* Other than *Reserves*	One commenter contended that issuers should be allowed to disclose discovered PIIP without breaking it down further.	See our response to comment 4 above.
7.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	One commenter expressed its support for prohibiting addition across resource categories.	We acknowledge the comment.
8.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	Two commenters recommended against the proposal to require disclosure of PIIP sub-classification and a cautionary statement, expressing concern that the unrecoverable portion of PIIP for an early-stage property would not yet have been evaluated, so nothing could be disclosed. Another commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	Where sufficient information is available we consider it beneficial to investors for the unrecoverable volumes to be disclosed. However, where the total PIIP, discovered PIIP or undiscovered PIIP estimate is the most specific category available, sub-classification is not required. See our response to comment 4 above.
9.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	One commenter found the cautionary statements in paragraph 5.9(v) and section 5.16 duplicative.	We agree, and have revised subsection 5.16(3) to refer to section 5.9.
10.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	One commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	New subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP so long as they explain why that category is the most specific category that applies and includes the prescribed cautionary statement.

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	***Summarized Comment***	***CSA Response***
11.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	Several commenters expressed the view that an aggregation of categories such as "remaining recoverable resources" is appropriate and recognized by COGEH and PRMS, and therefore that such disclosure should be allowed if the quantities for each category/class are identified.	We consider restrictions on summation across resource categories important. Although, as some commenters noted, COGEH does state that addition across resource categories is acceptable in " … some instances (e.g., basin potential studies) …", this is not a blanket endorsement of such an approach. We remain concerned that summation across categories has the potential to be misleading and is, in most cases, inappropriate in the context of public company disclosure. See new subsections 5.16(2) and (3) for instances where disclosure of summations is permitted, with appropriate safeguards.
12.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	One commenter suggested that it might be better to substitute references to specific product types (e.g., bitumen and natural gas) when using the term "petroleum initially-in-place".	We agree, and now address this point in new subsection 5.3(2).
13.	Section 5.16 Prohibition Against Addition Across *Resource* Categories	One commenter suggested that section 5.3 and the proposed section 5.16 would not interact correctly.	We have made changes and clarifications to address the issue raised. Section 5.3 speaks to classifying reserves or resources other than reserves using terminology and categories from COGEH and requires that the reserves or resources other than reserves be classified in the most specific category possible. Where appropriate, the most specific category may be total, discovered or undiscovered PIIP. Section 5.16, as modified, addresses three points: first, the general principle that issuers must not sum estimates of different resource categories; second that, despite the general prohibition, certain summations of estimates (total, discovered or undiscovered PIIP) are permissible if estimates for each of the applicable subcategories are also disclosed; and third, where total, discovered or undiscovered PIIP is the most specific applicable category, the issuer may disclose that category, but must explain why it is the most specific category that applies and must also include the specified cautionary statement.
14.	Section 5.17 Disclosure of High- and Low-Case Estimates of *Reserves* and of *Resources* other than *Reserves*	One commenter supported the addition of proposed section 5.17.	We acknowledge the comment.

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	***Summarized Comment***	***CSA Response***
15.	Section 5.17 Disclosure of High- and Low-Case Estimates of *Reserves* and of *Resources* other than *Reserves*	One commenter suggests that the provision was overly restrictive in mandating proved plus probable reserves combined.	We agree, and have revised subsection 5.17(1) to allow issuers the option, when the provision is triggered, to disclose either proved plus probable reserves together or proved reserves and probable reserves separately.
16.	Part 9 *Instrument* in Force	One commenter suggests that this Part be removed in its entirety.	Because such provisions can be helpful to some users we are retaining Part 9, as is typically the case with CSA instruments.
FORMS 51-101 F1 *STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION*			
17.	Item 2.1 *Reserves Data (Forecast Prices and Costs)*	One commenter urged additional disclosure concerning reclamation and abandonment costs for oil sands mines, particularly in light of tailing pond obligations.	We did not make the suggested change. Disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) *Reserves Data* as well as Item 6.4 *Additional Information Concerning Abandonment and Reclamation Costs*. Issuers are expected to address risk factors in a number of disclosure rules and requirements. In our experience, this type of information is typically included in corporate level disclosure for existing operations and should be included in the evaluation for new properties.
18.	Item 2.1 *Reserves Data (Forecast Prices and Costs)*	One commenter expressed its view that additional disclosure of the forecast costs of compliance with greenhouse gas emissions pricing regulations should be required.	We do not propose to make the suggested change as it is outside the scope of the current amendments. The purpose of the current amendments is to clarify certain provisions, to codify existing staff guidance and practice and to add requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.
19.	Item 2.2 Supplemental Disclosure of *Reserves Data*	One commenter did not object to supplemental pricing disclosure in accordance with US practice; however, the commenter did object to providing relief from Item 2.1 of 51-101F1 requirements where that disclosure is substituted with disclosure consistent with SEC requirements.	We have revised Item 2.2 to permit supplementary disclosure of estimates based on constant prices and costs, determined in accordance with current SEC standards.
20.	Item 2.2 Supplemental Disclosure of *Reserves Data*	Two commenters expressed the view that this change is not sufficient, in and of itself, to make the estimate comparable with estimates prepared in accordance with SEC requirements (resulting values and manner of presentation) and any representation that the estimates are comparable would be misleading.	See our response to comment 19 above. It was not our intent to design supplementary disclosure requirements that would cause supplementary disclosure to be comparable to disclosure prepared in accordance with SEC regulation.

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	***Summarized Comment***	***CSA Response***
21.	Item 2.2 Supplemental Disclosure of *Reserves Data*	One commenter expressed concern that the inclusion of Item 2.2 suggests that there is only one way to provide supplementary disclosure – in accordance with the US regime. He noted that the US regime also allows for supplemental pricing scenarios and not just a constant price case. The intent of the provision is unclear.	We eliminated the proposed broad references to US disclosure standards and instead revised Item 2.2, addressing the specific issue of most general interest (estimates based on constant prices and costs), updated to reflect recent changes to SEC standards.
22.	Item 3.1 Supplemental Estimates	One commenter stated that the proposed change does not make the reserves disclosure fully compliant with SEC regulations because it addresses only the price used in reserves disclosure.	The intent was not to conform Canadian disclosure requirements to those of the SEC, but to allow issuers an option to provide supplementary disclosure within Canada. We have revised Item 3.1 to relate specifically to constant prices and costs and, as noted above, we have removed general references to US pricing within NI 51-101 and 51-101F1.
23.	Item 3.2 Forecast Prices Used in Estimates	One commenter expressed its view that disclosure of carbon pricing forecasts should be required.	The suggested change is outside the scope of the current amendments. Therefore, we do not propose to make this change.
24.	Item 5.2 Significant Factors or Uncertainties Affecting *Reserves Data*	One commenter objected to the removal of the phrase "the need to build a major pipeline or other major facility before production of reserves can begin" from the instruction because that type of information provides relevant information to investors. The commenter conceded that it may be appropriate to remove if reserves would not be assigned in these circumstances in any event, but felt a clarification was warranted.	This phrase was removed from this item of the form because it applies to contingent resources, rather than to reserves. We agree that this information is relevant and important to investors. See the instruction for Item 6.2.1, which includes this text.
25.	Item 6.2.1 Significant Factors or Uncertainties Relevant to *Properties* With No Attributed *Reserves*	One commenter objected to this proposed item, contending that the relevant projects are not mature enough to know the plans or to discuss in a meaningful way. Also, for companies with several differing properties, the discussion could be very difficult to prepare in a way that is meaningful for the properties in the aggregate.	We retained this provision because we are of the view that this information can be important for investor consideration. The CSA are of the view that it is the reporting issuer's responsibility to consider what factors and uncertainties are relevant to its operations, determine whether this information is material, and then disclose the relevant significant factors or uncertainties.
26.	Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs	One commenter suggested that if reclamation and abandonment costs for tailings ponds are not being included under Item 2.1, then Item 6.4 should provide for more informative disclosure of the liability. Specifically, an estimate of the future volume and extent of tailings ponds that will be created or sustained by exploitation of the reserves, as well as high and low estimates of the potential costs of reclamation.	We did not make the suggested change. As mentioned in our response to comment 17 above, disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) *Reserves Data* as well as Item 6.4 *Additional Information Concerning Abandonment and Reclamation Costs*.

	Topic (unless otherwise noted, cross-references are to provisions of the same instrument)	*Summarized Comment*	*CSA Response*
GENERAL			
27.	General	One commenter stated that the proposed amendments to NI 51-101 did not go far enough in resolving the differences between the US regime and NI 51-101 and suggested that the CSA either align its requirements with the SEC's or exempt from compliance those required to prepare disclosure to SEC standards.	We did not make either suggested change. It was not our objective to align Canadian disclosure requirements with US disclosure requirements.

Appendix C

Summary of Changes from Proposed Amendments Published for Comment on December 18, 2009

The discussion below summarizes changes between the versions of the documents published for comment on December 18, 2009 and the versions of those documents ultimately approved.

NI 51-101 *Standards of Disclosure for Oil and Gas Activities*

- We removed the definition of "executive officer" and adjusted the wording in section 2.1(3)(e) to require an "officer" rather than an "executive officer" to execute the Form 51-101F3
- We moved the content of section 2.2 to new subsection 2.3(2) as this is a more appropriate location for the requirement
- We moved the contents of proposed section 2.5 of NI 51-101 to section 2.10 of 51-101CP
- We added section 5.3(2) to allow issuers to report using a specific product type when disclosing petroleum initially-in-place (PIIP) rather than the more general "petroleum"
- We revised section 5.16 to clarify disclosure requirements for total, discovered and undiscovered PIIP: an issuer can disclose total, discovered or undiscovered PIIP if it discloses estimates of the applicable subcategories that comprise the summed estimate; or, it can disclose total, discovered or undiscovered PIIP without disclosing estimates of the applicable subcategories that comprise the summed estimate, where that information is not yet available, if the issuer explains why total, discovered or undiscovered PIIP is the most specific classification that can be assigned and the issuer includes specified cautionary language. The proposed cautionary language has been removed and reference is made to existing cautionary language in sections 5.9(2)(c)(v)(A) and (B)
- We modified the high- and low-case estimate for reserves disclosure in section 5.17 to allow issuers to report either proved and proved + probable reserves (together) or proved and probable reserves (separately) when disclosing proved + probable + possible reserves

Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*

- We removed all references to "US oil and gas disclosure requirements" and have reverted to allowing supplementary disclosure based on constant prices and costs (see items 2.2 and 3.1)
- Constant prices and costs requirements have been updated for accuracy
- We added Instruction (5) to Part 4 to clarify that a reconciliation is not required when "opening" estimates as at the beginning of the financial year are not available

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

- We revised section 2.7(4) to provide specific guidance for disclosure using constant prices and costs
- We added section 2.9 to explain how we interpret the term "chief executive officer"
- We added section 2.10 to provide guidance to non-corporate reporting issuers regarding the execution of the Form 51-101F3
- We added guidance in section 5.3 to clarify the disclosure requirements of section 5.16(2) of NI 51-101
- We added section 5.9.1 to clarify the purpose and intent of section 5.16 of NI 51-101

NI 41-101 *General Prospectus Requirements* (section 5.5)

- We have reintroduced the instruction that had been inadvertently removed

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

Amendments to

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

1. National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.

2. Paragraph 1.1(c) is repealed.

3. Paragraph 1.1(d) is repealed.

4. Paragraph 1.1(e) is repealed.

5. Paragraph 1.1(i) is repealed.

6. Section 1.1 is amended

(a) by adding the following paragraph after paragraph (n):

(n.1) "*Form 51-101F4*" means Form 51-101F4 *Notice of Filing of 51-101F1 Information*;

(b) in clause (s)(i)(B), by deleting "further***" and by replacing "****reservoirs on those properties****" with "***their natural locations***", and***

(c) in clause (s)(i)(C), by replacing "*reservoirs****" with "***locations***".***

7. Item 3 of section 2.1 is amended by repealing paragraph (e) and substituting the following:

(e) is executed

(i) by *two officers* of the *reporting issuer*, one of whom is the chief executive officer, and

(ii) on behalf of the board of directors, by

(A) any two directors of the *reporting issuer*, other than the persons referred to in subparagraph (i) above, or

(B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the *reporting issuer*.

8. Section 2.2 is repealed.

9. Section 2.3 is amended by renumbering it as subsection 2.3(1) and by adding the following after subsection (1):

(2) A r*eporting issuer* that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the *securities regulatory authority* a notice of filing in accordance with *Form 51-101F4*.

10. Section 4.1 is repealed.

11. Section 5.3 is replaced with the following:

5.3 Classification of *Reserves* and of *Resources* Other than *Reserves*

(1) *Reserves* or *resources* other than *reserves* must be disclosed using the applicable terminology and categories set out in the *COGE Handbook* and must be classified in the most specific category of *reserves* or *resources* other than *reserves* in which the *reserves* or *resources* other than *reserves* can be classified.

(2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of *resources* is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the *reporting issuer* may depart from the applicable terminology by substituting, for the word "*petroleum*", reference to the specific *product type* of the *resource*.

12. Section 5.9 is repealed and the following substituted:

5.9 Disclosure of *Resources* Other than *Reserves*

(1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as reserves, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

(a) the *reporting issuer's* interest in the *resources*;

(b) the location of the *resources*;

(c) the *product types* reasonably expected;

(d) the risks and the level of uncertainty associated with recovery of the *resources*; and

(e) in the case of *unproved property*, if its value is disclosed,

(i) the basis of the calculation of its value; and

(ii) whether the value was prepared by an *independent* party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than reserves in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:

(a) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(b) have been prepared or audited in accordance with the *COGE Handbook*;

(c) be classified in the most specific category of resources other than *reserves* as required by section 5.3; and

(d) be accompanied by the following information:

(i) a definition of the *resources* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) the significant positive and negative factors relevant to the estimate;

(iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or

(B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

"There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

(3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:

(a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

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

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

5.16 Restricted Disclosure: Summation of *Resource* Categories

(1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:

(a) *reserves*;

(b) *contingent resources*;

(c) *prospective resources*;

(d) the unrecoverable portion of *discovered petroleum initially-in-place*;

(e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;

(f) *discovered petroleum initially-in-place*; and

(g) *undiscovered petroleum initially-in-place*.

(2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:

(a) *reserves*;

(b) *contingent resources*;

(c) *prospective resources*;

(d) the commercial portion of *discovered petroleum initially-in-place*;

(e) the sub-commercial portion of *discovered petroleum initially-in-place*;

(f) the unrecoverable portion of *discovered petroleum initially-in-place*;

(g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;

(h) *discovered petroleum initially-in-place*; and

(i) *undiscovered petroleum initially-in-place*.

(3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its resources if, proximate to its disclosure, the r*eporting issuer*

(a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and

(b) includes

(i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

(ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

(1) If a *reporting issuer* discloses an estimate of *proved* plus *probable* plus *possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved* plus *probable reserves* or of *proved* and *probable reserves*.

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

15. Subsection 8.2(2) is amended by replacing "in accordance with***" with "***under***".***

16. Section 9.2 is repealed.

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

*(7) A **reporting issuer** disclosing financial information in a currency other than the Canadian dollar must, clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*

*(8) The **COGE Handbook** provides guidance about reporting using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.*

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

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

Item 2.2 Supplementary Disclosure (Constant Prices and Costs)

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

INSTRUCTION

For this purpose,

(a) a constant price is,

*i) if the **reporting issuer** is legally bound to supply the product at a particular price, that price; or*

ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and

*(b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.**.***

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

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

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

Item 3.1 Constant Prices Used in Supplementary Estimates

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

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

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

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

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

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

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

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

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

INSTRUCTION

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

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

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves*.

2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

EXAMPLES

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

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

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

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

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

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

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

33. ***Form 51-101F3 is amended by***

(a) ***striking out "***However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.***", and***

(b) ***replacing "***a senior officer***" with "***an officer***".***

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

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

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

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

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

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

TABLE OF CONTENTS

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

PART 1 APPLICATION AND TERMINOLOGY[1]

1.1 Definitions[2] - In this *Instrument*:

(a) "*annual information form*" has the same meaning as "AIF" in *NI 51-102*;

(a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

(i) historical information concerning *reserves*;

(ii) estimates of the volume or value of *reserves*;

(iii) historical information concerning *resources*;

(iv) estimates of the volume or value of *resources*;

(v) historical *production* amounts;

(vi) *production* estimates; or

(vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

(i) estimates of volume;

(ii) estimates of value;

(iii) areal extent;

(iv) pay thickness;

(v) flow rates; or

(vi) hydrocarbon content;

(b) "*BOEs*" means barrels of *oil* equivalent;

(c) Repealed (December 30, 2010);

(d) Repealed (December 30, 2010);

(e) Repealed (December 30, 2010);

(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;

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[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

[2] 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.

(g) Repealed (December 28, 2007);

(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) Repealed (December 30, 2010);

(j) "*forecast prices and costs*" means future prices and costs that are:

(i) generally accepted as being a reasonable outlook of the future;

(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 subparagraph (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*;

(n.1) "*Form 51-101F4*" means Form 51-101F4 *Notice of Filing of 51-101F1 Information*;

(o) "*independent*", in respect of the relationship between a *reporting issuer* and a person or company, means a relationship between the *reporting issuer* and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the *reporting issuer*;

(p) "*McfGEs*" means thousand cubic feet of *gas* equivalent;

(q) "*NI 14-101*" means National Instrument 14-101 *Definitions*;

(r) Repealed (December 30, 2005);

(r.1) "*NI 51-102*" means National Instrument 51-102 *Continuous Disclosure Obligations*;

(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 exploring for or removing *oil* or *gas* from their natural locations;

(C) the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural locations 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;

(D) hydrates;

(E) shale oil; or

(F) shale gas;

(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, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data, resources* 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, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data, resources* 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*;

(z.1) "*reserves"* means *proved*, *probable* or *possible reserves*;

(aa) "*reserves data"* means an estimate of *proved reserves* and *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, applies.

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* must, 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 must 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** - 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

(i) by two officers of the *reporting issuer*, one of whom is the chief executive officer, and

(ii) on behalf of the board of directors, by

(A) any two directors of the *reporting issuer*, other than the persons referred to in subparagraph (i) above, or

(B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the *reporting issuer*.

2.2 Repealed (December 30, 2010)

2.3 Inclusion in *Annual Information Form*

(1) 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) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the *securities regulatory authority* a notice of filing in accordance with *Form 51-101F4*.

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* must 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* must 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* must 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* must

(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 section 3.4 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 subparagraph (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* must not delegate its responsibility under paragraph 3.4(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) must solicit the recommendation of that committee as to whether to approve the content and filing of information for the purpose of paragraph 3.4(e).

3.6 Repealed (September 19, 2005)

PART 4 MEASUREMENT

4.1 Repealed (December 30, 2010)

4.2 Consistency in Dates - 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 must 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 Disclosure of *Reserves* and Other Information - If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

(a) estimates of *reserves* or *future net revenue* must

(i) disclose the *effective date* of the estimate;

(ii) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(iii) have been prepared or audited in accordance with the *COGE Handbook*;

(iv) have been made 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; and

(v) in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

"Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.";

(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* must have been taken into account;

(c) in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and

(d) the disclosure must be 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 the statement has been supplemented or superseded by a report of a material change[3] filed by the *reporting issuer* with the *securities regulatory authority*.

5.3 Classification of *Reserves* and of *Resources* Other than *Reserves*

(1) *Reserves* or *resources* other than *reserves* must be disclosed using the applicable terminology and categories set out in the *COGE Handbook* and must be classified in the most specific category of *reserves* or *resources* other than *reserves* in which the *reserves* or *resources* other than *reserves* can be classified.

(2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of *resources* is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the *reporting issuer* may depart from the applicable terminology by substituting, for the word "*petroleum*", reference to the specific *product type* of the *resource*.

5.4 *Oil* and *Gas Reserves* and Sales - Disclosure of *reserves* or of sales of *oil, gas* or associated by-products must be made only in respect of *marketable* quantities, reflecting the quantities and 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) must 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 Market Value - Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value.

[3] "Material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

5.7 Consent of *Qualified Reserves Evaluator or Auditor*

(1) A *reporting issuer* must 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.

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 must 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* must 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 of *Resources* Other than *Reserves*

(1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

(a) the *reporting issuer's* interest in the *resources*;

(b) the location of the *resources*;

(c) the *product types* reasonably expected;

(d) the risks and the level of uncertainty associated with recovery of the *resources*; and

(e) in the case of *unproved property*, if its value is disclosed,

(i) the basis of the calculation of its value; and

(ii) whether the value was prepared by an *independent* party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than *reserves* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:

(a) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(b) have been prepared or audited in accordance with the *COGE Handbook*;

(c) be classified in the most specific category of *resources* other than *reserves* as required by section 5.3; and

(d) be accompanied by the following information:

(i) a definition of the *resources* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) the significant positive and negative factors relevant to the estimate;

(iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or

(B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

"There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

(3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:

(a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

5.10 ***Analogous Information***

(1) Sections 5.2, 5.3, 5.9 and 5.16 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

(a) the source and date of the *analogous information*;

(b) whether the source of the *analogous information* was *independent*;

(c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and

(d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities.*

(2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information,* sections 5.2, 5.3, 5.9 and 5.16 apply to the disclosure of the information.

5.11 **Net Asset Value and Net Asset Value per Share** -Written disclosure of net asset value or net asset value per share must 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 must include an explanation of the method of calculation applied.

5.13 **Netbacks** - Written disclosure of a netback must

(a) Repealed (December 28, 2007);

(b) reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and

(c) 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 must 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 must 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 must identify the unit, state the conversion ratio used and explain why it has been chosen; and

(d) the disclosure must 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 must 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 must 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).

5.16 Restricted Disclosure: Summation of *Resource* Categories

(1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:

(a) *reserves*;

(b) *contingent resources*;

(c) *prospective resources*;

(d) the unrecoverable portion of *discovered petroleum initially-in-place*;

(e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;

(f) *discovered petroleum initially-in-place*; and

(g) *undiscovered petroleum initially-in-place*.

(2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:

(a) *reserves*;

(b) *contingent resources*;

(c) *prospective resources*;

(d) the commercial portion of *discovered petroleum initially-in-place*;

(e) the sub-commercial portion of *discovered petroleum initially-in-place*;

(f) the unrecoverable portion of *discovered petroleum initially-in-place*;

(g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;

(h) *discovered petroleum initially-in-place*; and

(i) *undiscovered petroleum initially-in-place*.

(3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its *resources* if, proximate to its disclosure, the *reporting issuer*

(a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and

(b) includes

(i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

(ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

(1) If a *reporting issuer* discloses an estimate of *proved* plus *probable* plus *possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved* plus *probable reserves* or of *proved* and *probable reserves*.

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

PART 6 MATERIAL CHANGE DISCLOSURE

6.1 Material Change[4] 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) must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves* data or other information.

(a) Repealed (December 27, 2007).

(b) Repealed (December 27, 2007).

PART 7 OTHER INFORMATION

7.1 Information to be Furnished on Request - A *reporting issuer* must, 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.

8.2 Exemption for Certain Exchangeable Security Issuers

(1) An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;

(2) For the purposes of subsection (1), the reference to "continuous disclosure documents" in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed under this *Instrument*.

PART 9 *INSTRUMENT IN FORCE*

9.1 Coming Into Force -This Instrument comes into force on September 30, 2003.

9.2 Repealed (December 30, 2010)

[4] In this Part, "material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

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

PART1 APPLICATION AND TERMINOLOGY[1]

~~1.1~~ **1.1 Definitions**[2] - In this *Instrument*:

~~(a)~~ **(a)** "*annual information form*" has the same meaning as "AIF" in *NI 51-102*;

(a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

(i) historical information concerning *reserves*;

(ii) estimates of the volume or value of *reserves*;

(iii) historical information concerning *resources*;

(iv) estimates of the volume or value of *resources*;

(v) historical *production* amounts;

(vi) *production* estimates; or

(vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

(i) estimates of volume;

(ii) estimates of value;

(iii) areal extent;

(iv) pay thickness;

(v) flow rates; or

(vi) hydrocarbon content;

~~(b)~~ **(b)** "*BOEs*" means barrels of *oil* equivalent;

~~(c) repealed;~~

~~(d) repealed;~~

~~(e) repealed;~~

(c) Repealed (December 30, 2010);

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1 For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

2 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.

(d) Repealed (December 30, 2010);

(e) Repealed (December 30, 2010);

~~(f)~~ **(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) **repealed**~~;

(g) Repealed (December 28, 2007);

~~(h)~~ **(h)** "*effective date*", in respect of information, means the date as at which, or for the period ended on which, the information is provided;

~~(h.1) "*executive officer*" means, for a *reporting issuer*, an individual who is~~

~~(i) a chair, vice-chair or president;~~

~~(ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or~~

~~(iii) performing a policy making function in respect of the *issuer*;~~

~~(i) **repealed;**~~

(i) Repealed (December 30, 2010);

~~(j)~~ **(j)** "*forecast prices and costs*" means future prices and costs that are:

~~(i)~~ **(i)** generally accepted as being a reasonable outlook of the future;

~~(ii)~~ **(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 subparagraph (i);

~~(k)~~ **(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)~~ **(l)** " *Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;

~~(m)~~ **(m)** "*Form 51-101F2*" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor;*

~~(n)~~ **(n)** "*Form 51-101F3*" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*;

(n.1) "*Form 51-101F4*" means Form 51-101F4 *Notice of Filing of 51-101F1 Information*;

~~(o)~~ **(o)** "*independent*", in respect of the relationship between a *reporting issuer* and a person or company, means a relationship between the *reporting issuer* and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the *reporting issuer*;

~~(p)~~ **(p)** "*McfGEs*" means thousand cubic feet of *gas* equivalent;

~~(q)~~ **(q)** "*NI 14-101*" means National Instrument 14-101 *Definitions*;

~~(r) **repealed**~~;

(r) Repealed (December 30, 2005);

(r.1) "*NI 51-102*" means National Instrument 51-102 *Continuous Disclosure Obligations*;

~~(s)~~ **(s)** "*oil and gas activities*"

~~(i)~~ **(i)** include:

~~(A)~~ **(A)** the search for *crude oil* or *natural gas* in their natural states and original locations;

~~(B)~~ **(B)** the acquisition of *property* rights or *properties* for the purpose of ~~further~~ exploring for or removing *oil* or *gas* from ~~the subsurface of those *properties*~~**their natural locations**;

~~(C)~~ **(C)** the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural ~~subsurface~~locations~~,~~ 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)~~ **(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)~~ **(ii)** do not include:

~~(A)~~ **(A)** transporting, refining or marketing *oil* or *gas*;

~~(B)~~ **(B)** activities relating to the extraction of natural resources other than *oil* and *gas* and their by-products; or

~~(C)~~ **(C)** the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources;

~~(t)~~ **(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)~~ **(u)** "*production group*" means one of the following together, in each case, with associated by-products:

~~(i)~~ **(i)** light and medium *crude oil* (combined);

~~(ii)~~ **(ii)** *heavy oil*;

~~(iii)~~ **(iii)** *associated gas* and *non-associated gas* (combined); and

~~(iv)~~ **(iv)** *bitumen*, *synthetic oil* or other products from non-conventional *oil and gas activities*.

~~(v)~~ **(v)** "*product type*" means one of the following:

~~(i)~~ **(i)** in respect of conventional *oil and gas activities*:

~~(A)~~ **(A)** light and medium *crude oil* (combined);

~~(B)~~ **(B)** *heavy oil*;

~~(C)~~ **(C)** *natural gas* excluding *natural gas liquids*; or

~~(D)~~ **(D)** *natural gas liquids*; and

(ii) in respect of non-conventional *oil and gas activities*:

~~(A)~~ **(A)** *synthetic oil*;

~~(B)~~ **(B)** *bitumen*;

~~(C)~~ **(C)** coal bed methane;

~~(D)~~ **(D)** hydrates;

~~(E)~~ **(E)** shale oil; or

~~(F)~~ **(F)** shale gas;

~~(w)~~ **(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)~~ **(i)** admits members primarily on the basis of their educational qualifications;

~~(ii)~~ **(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)~~ **(iii)** has disciplinary powers, including the power to suspend or expel a member; and

~~(iv)~~ **(iv)** is either:

~~(A)~~ **(A)** given authority or recognition by statute in a Canadian jurisdiction; or

~~(B)~~ **(B)** accepted for this purpose by the *securities regulatory authority* or the *regulator*;

~~(x)~~ **(x)** "*qualified reserves auditor*" means an individual who:

~~(i)~~ **(i)** in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data, resources* and related information; and

~~(ii)~~ **(ii)** is a member in good standing of a *professional organization*;

~~(y)~~ **(y)** "*qualified reserves evaluator*" means an individual who:

~~(i)~~ **(i)** in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data, resources* and related information; and

~~(ii)~~ **(ii)** is a member in good standing of a *professional organization*;

~~(z)~~ **(z)** "*qualified reserves evaluator or auditor*" means a *qualified reserves auditor* or a *qualified reserves evaluator*;

(z.1) "*reserves"* means *proved*, *probable* or *possible reserves*;

~~(aa)~~ **(aa)** "*reserves data"* means an estimate of *proved reserves* and *probable reserves* and related *future net revenue*, estimated using *forecast prices and costs;* **and**

~~(bb)~~ **(bb)** *supporting filing*" means a document filed by a *reporting issuer* with a *securities regulatory authority~~; and~~.*

~~(cc) "*US oil and gas disclosure requirements*" means the disclosure requirements relating to *reserves* and *oil and gas activities* under *US federal securities law* and include disclosure requirements or guidelines imposed or issued by the *SEC*, as amended from time to time.~~

~~1.2~~ 1.2 *COGE Handbook* Definitions

~~(1)~~ **(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)~~ **(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, applies.

~~1.3~~ 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~~ 1.4 *Materiality* Standard

~~(1)~~ **(1)** This *Instrument* applies only in respect of information that is *material* in respect of a *reporting issuer*.

~~(2)~~ **(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~~ 2.1 *Reserves Data* and Other *Oil* and *Gas* Information - A *reporting issuer* must, 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.~~ **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.~~ **2.** **Report of *Independent Qualified Reserves Evaluator or Auditor*** - a report in accordance with *Form 51-101F2* that is:

~~(a)~~ **(a)** included in, or filed concurrently with, the document filed under item 1; and

~~(b)~~ **(b)** executed by one or more *qualified reserves evaluators or auditors* each of whom is *independent* of the *reporting issuer*, who must in the aggregate have:

~~(i)~~ **(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)~~ **(ii)** *reviewed* the balance of such *future net revenue*; and

~~3.~~ **3.** **Report of Management and Directors** ~~–~~**:** a report in accordance with *Form 51-101F3* that**:**

~~(a)~~ **(a)** refers to the information filed or to be filed under items 1 and 2;

~~(b)~~ **(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)~~ **(c)** confirms the role of the board of directors in connection with the information referred to in paragraph (b);

~~(d)~~ **(d)** is contained in, or filed concurrently with, the statement filed under item 1; and

~~(e) is signed~~

~~(i) by~~

~~(A) the chief *executive officer*; and~~

(e) is executed

~~(B) a person other than~~**(i) by two officers of the *reporting issuer*, one of whom is** the chief executive officer ~~that is an *executive officer* of the *reporting issuer*; and~~ **, and**

~~(ii)~~ **(ii)** on behalf of the board of directors, by

~~(A)~~ **(A)** any two directors of the *reporting issuer*, other than the persons referred to in subparagraph (i) above, or

~~(B)~~ **(B)** if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the *reporting issuer*.

~~**2.2 Notice of Filing of *51-101F1* Information –** A *reporting issuer* must, concurrently with filing a statement and reports under section 2.1, file with the *securities regulatory authority* a notice of filing of *51-101F1* information in accordance with *Form 51-101F4*.~~

2.2 Repealed (December 30, 2010)

~~2.3~~ 2.3 Inclusion in *Annual Information Form*—

(1) 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) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the *securities regulatory authority* a notice of filing in accordance with *Form 51-101F4*.

~~2.4~~ 2.4 *Reservation* in Report of *Qualified Reserves Evaluator or Auditor*

~~(1)~~ **(1)** If a *qualified reserves evaluator or auditor* cannot report on *reserves data* without *reservation*, the *reporting issuer* must 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)~~ **(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.

~~**2.5 *Reporting Issuer* Not a Corporation –** if the *reporting issuer* is not a corporation, a report in accordance with *Form 51-101F3* must be signed by the persons who, in relation to the *reporting issuer*, are in a similar position or perform similar functions to the persons required to sign under item 3 of section 2.1.~~

PART 3 RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

~~3.1~~ 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~~ 3.2 *Reporting Issuer* to Appoint *Independent Qualified Reserves Evaluator or Auditor* - A *reporting issuer* must 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~~ 3.3 *Reporting Issuer* to Make Information Available to *Qualified Reserves Evaluator or Auditor* - A *reporting issuer* must 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~~ 3.4 Certain Responsibilities of Board of Directors - The board of directors of a *reporting issuer* must

~~(a)~~ **(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)~~ **(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)~~ **(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)~~ **(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)~~ **(i)** determine whether any restrictions affect the ability of the *qualified reserves evaluator or auditor* to report on *reserves data* without *reservation*; and

~~(ii)~~ **(ii)** review the *reserves data* and the report of the *qualified reserves evaluator or auditor* thereon; and

~~(e)~~ **(e)** review and approve

~~(i)~~ **(i)** the content and filing, under section 2.1, of the statement referred to in item 1 of section 2.1;

~~(ii)~~ **(ii)** the filing, under section 2.1, of the report referred to in item 2 of section 2.1; and

~~(iii)~~ **(iii)** the content and filing, under section 2.1, of the report referred to in item 3 of section 2.1.

~~3.5~~ 3.5 *Reserves* Committee

~~(1)~~ **(1)** The board of directors of a *reporting issuer* may, subject to subsection (2), delegate the responsibilities set out in section 3.4 to a committee of the board of directors, provided that a majority of the members of the committee

~~(a)~~ **(a)** are individuals who are not and have not been, during the preceding 12 months:

~~(i)~~ **(i)** an officer or employee of the *reporting issuer* or of an affiliate of the *reporting issuer*;

~~(ii)~~ **(ii)** a person who beneficially owns 10 percent or more of the outstanding voting securities of the *reporting issuer*; or

~~(iii)~~ **(iii)** a relative of a person referred to in subparagraph (a)(i) or (ii), residing in the same home as that person; and

~~(b)~~ **(b)** are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement.

~~(2)~~ **(2)** Despite subsection (1), a board of directors of a *reporting issuer* must not delegate its responsibility under paragraph 3.4(e) to approve the content or the filing of information.

~~(3)~~ **(3)** A board of directors that has delegated responsibility to a committee pursuant to subsection (1) must solicit the recommendation of that committee as to whether to approve the content and filing of information for the purpose of paragraph 3.4(e).

~~3.6 repealed~~

3.6 Repealed (September 19, 2005)

PART 4 MEASUREMENT

~~4.1 repealed~~

4.1 Repealed (December 30, 2010)

~~4.2~~ 4.2 Consistency in Dates - 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 must 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~~ 5.1 Application of Part 5 - This Part applies to disclosure made by or on behalf of a *reporting issuer*

~~(a)~~ **(a)** to the public;

~~(b)~~ **(b)** in any document filed with a *securities regulatory authority*; or

~~(c)~~ **(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~~ 5.2 Disclosure of *Reserves* and Other Information - If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

~~(a)~~ **(a)** estimates of *reserves* or *future net revenue* must

~~(i)~~ **(i)** disclose the *effective date* of the estimate;

~~(ii)~~ **(ii)** have been prepared or audited by a *qualified reserves evaluator or auditor*;

~~(iii)~~ **(iii)** have been prepared or audited in accordance with the *COGE Handbook*;

~~(iv)~~ **(iv)** have been made 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; and

~~(v)~~ **(v)** in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

"Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.";

~~(b)~~ **(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* must have been taken into account;

~~(c)~~ **(c)** in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and

~~(d)~~ **(d)** the disclosure must be 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 the statement has been supplemented or superseded by a report of a material change[3] filed by the *reporting issuer* with the *securities regulatory authority*.

~~5.3~~ 5.3 Classification of *Reserves* and of *Resources* Other than *Reserves* ~~–~~

(1) ~~Disclosure of *reserves*~~*Reserves* or ~~of~~ *resources* other than *reserves* must ~~apply~~be disclosed using the **applicable** terminology ~~for~~ and categories ~~of *reserves* and of *resources* other than *reserves*~~ set out in the *COGE Handbook* and must ~~relate to~~**be classified in** the most specific category of *reserves* or ~~of~~ *resources* other than *reserves* in which the *reserves* or *resources* other than *reserves* can be classified.

(2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of *resources* is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the *reporting issuer* may depart from the applicable terminology by substituting, for the word "*petroleum*", reference to the specific *product type* of the *resource*.

~~5.4~~ 5.4 *Oil* and *Gas Reserves* and Sales - Disclosure of *reserves* or of sales of *oil, gas* or associated by-products must be made only in respect of *marketable* quantities, reflecting the quantities and 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~~ 5.5 *Natural Gas* By-Products - Disclosure concerning *natural gas* by-products (including *natural gas liquids* and sulphur) must 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~~ 5.6 *Future Net Revenue* Not Fair Market Value ~~– -~~Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value.

~~5.7~~ 5.7 Consent of *Qualified Reserves Evaluator or Auditor*

~~(1)~~ **(1)** A *reporting issuer* must 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*.

[3] "Material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

~~(2)~~ **(2)** Subsection (1) does not apply to

~~(a)~~ **(a)** the filing of that report by a *reporting issuer* under section 2.1;

~~(b)~~ **(b)** the use of or reference to that report in another document filed by the *reporting issuer* under section 2.1; or

~~(c)~~ **(c)** the identification of the report or of the *qualified reserves evaluator or auditor* in a news release referred to in section 2.2.

~~5.8~~ **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)~~ **(a)** the disclosure must 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)~~ **(b)** the document containing the disclosure of any *reserves* attributable to one *property* must 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~~ **5.9 Disclosure of *Resources* Other than *Reserves***

~~(1)~~ **(1)** If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

~~(a)~~ **(a)** the *reporting issuer's* interest in the *resources*;

~~(b)~~ **(b)** the location of the *resources*;

~~(c)~~ **(c)** the *product types* reasonably expected;

~~(d)~~ **(d)** the risks and the level of uncertainty associated with recovery of the *resources*; and

~~(e)~~ **(e)** in the case of *unproved property*, if its value is disclosed,

~~(i)~~ **(i)** the basis of the calculation of its value; and

~~(ii)~~ **(ii)** whether the value was prepared by an *independent* party.

~~(2)~~ **(2)** If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than *reserves* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must **:**

~~(a)~~ **(a)** have been prepared or audited by a *qualified reserves evaluator or auditor*;

(b) have been prepared or audited in accordance with the *COGE Handbook*;

~~(b)~~ **(c)** ~~relate to~~be classified in the most specific category of *resources* other than *reserves* as required by section 5.3; **and**

~~(b.1) have been prepared or audited in accordance with the *COGE Handbook;* and~~

~~(c)~~ **(d)** be accompanied by the following information:

~~(i)~~ **(i)** a definition of the *resources* category used for the estimate;

~~(ii)~~ **(ii)** the *effective date* of the estimate;

~~(iii)~~ **(iii)** the significant positive and negative factors relevant to the estimate;

~~(iv)~~ **(iv)** in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and

~~(v)~~ **(v)** a cautionary statement that is proximate to the estimate to the effect that:

~~(A)~~ **(A)** in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or

~~(B)~~ **(B)** in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

"There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources."

~~(3)~~ **(3)** Paragraphs ~~5.9~~(1)(d) and (e) and subparagraphs ~~5.9~~(2)(c)(iii) and (iv) do not apply if:

~~(a)~~ **(a)** the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

~~(b)~~ **(b)** the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

~~5.10~~ 5.10 *Analogous Information*

~~(1)~~ **(1)** Sections 5.2, 5.3, 5.9 and 5.16 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

~~(a)~~ **(a)** the source and date of the *analogous information*;

~~(b)~~ **(b)** whether the source of the *analogous information* was *independent*;

~~(c)~~ **(c)** if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and

~~(d)~~ **(d)** the relevance of the *analogous information* to the *reporting issuer's oil and gas activities.*

~~(2)~~ **(2)** For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information,* sections 5.2, 5.3, 5.9 and 5.16 apply to the disclosure of the information.

~~5.11~~ 5.11 Net Asset Value and Net Asset Value per Share – Written disclosure of net asset value or net asset value per share must include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

~~5.12~~ 5.12 *Reserve* Replacement - Written disclosure concerning *reserve* replacement must include an explanation of the method of calculation applied.

~~5.13~~ 5.13 Netbacks - Written disclosure of a netback must

~~(a)~~ **~~repealed~~**

(a) Repealed (December 28, 2007):

~~(b)~~ **(b)** reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and

~~(c)~~ **(c)** state the method of calculation.

~~5.14~~ 5.14 *BOEs* and *McfGEs* - If written disclosure includes information expressed in *BOEs*, *McfGEs* or other units of equivalency between *oil* and *gas*

~~(a)~~ **(a)** the information must be presented

~~(i)~~ **(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)~~ **(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)~~ **(iii)** with the conversion ratio stated;

~~(b)~~ **(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 must state that other conversion ratio and explain why it has been chosen;

~~(c)~~ **(c)** if the information is presented using a unit of equivalency other than *BOEs* or *McfGEs,* the disclosure must identify the unit, state the conversion ratio used and explain why it has been chosen; and

~~(d)~~ **(d)** the disclosure must 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~~ 5.15 Finding and *Development Costs* - If written disclosure is made of finding and *development costs*:

~~(a)~~ **(a)** those costs must 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)~~ **(b)** the disclosure must include

~~(i)~~ **(i)** the results of both methods of calculation under paragraph (a) and a description of those methods;

~~(ii)~~ **(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)~~ **(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)~~ **(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)~~ **(v)** the cautionary statement required under paragraph 5.14(d).

~~**5.16 Prohibition Against Addition Across**~~**5.16 Restricted Disclosure: Summation of *Resource* Categories**

~~(1)~~ **(1)** A *reporting issuer* must not disclose a summation of ~~any combination of~~ an ~~estimate of~~**estimated** quantity**,** or **estimated** value**,** of ~~any~~ two or more of the following:

~~(a)~~ **(a)** *reserves*;

~~(b)~~ **(b)** *contingent resources*;

~~(c)~~ **(c)** *prospective resources*;

~~(d)~~ **(d)** the unrecoverable portion of *discovered petroleum initially-in-place*;

~~(e)~~ **(e)** the unrecoverable portion of *undiscovered petroleum initially-in-place*;

~~(f)~~ **(f)** *discovered petroleum initially-in-place*; and

~~(g)~~ **(g)** *undiscovered petroleum initially-in-place*.

~~(2) Notwithstanding~~**(2) Despite** subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* ~~and~~**or** *undiscovered petroleum initially-in-place* if **the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable**:

~~(a) the estimate of quantity or value of all subcategories are also disclosed, including the unrecoverable portion(s); and~~

~~(b) there is a cautionary statement that is proximate to the estimate, in bold font, to the effect that:~~

~~" The [*total petroleum initially-in-place*,~~

(a) *reserves*;

(b) *contingent resources*;

(c) *prospective resources*;

(d) the commercial portion of *discovered petroleum initially-in-place* ~~or~~**;**

(e) the sub-commercial portion of *discovered petroleum initially-in-place*;

(f) the unrecoverable portion of *discovered petroleum initially-in-place*;

(g) the unrecoverable portion of *undiscovered petroleum initially-in-place*~~,] includes unrecoverable volumes and is not an estimate of the [value or volume] of the substances that will ultimately be recovered."~~**;**

(h) *discovered petroleum initially-in-place*; and

(i) *undiscovered petroleum initially-in-place*.

(3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its *resources* if, proximate to its disclosure, the *reporting issuer*

(a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and

(b) includes

(i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

(ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

~~(1)~~ **(1)** If a *reporting issuer* discloses an estimate of *proved* ~~+~~**plus** *probable* ~~+~~**plus** *possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved* ~~+~~**plus** *probable reserves* **or of *proved* and *probable reserves***.

~~(2)~~ **(2)** If a *reporting issuer* discloses a high-case estimate **of *resources* other than *reserves***, the *reporting issuer* must also disclose the corresponding low- and best-case estimates.

PART 6 MATERIAL CHANGE DISCLOSURE

~~6.1~~ 6.1 Material Change[4] from Information Filed under Part 2

~~(1)~~ **(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)~~ **(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) must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves* data or other information.

(a) Repealed (December 27, 2007).

(b) Repealed (December 27, 2007).

PART 7 OTHER INFORMATION

~~7.1~~ 7.1 Information to be Furnished on Request - A *reporting issuer* must, 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~~ 8.1 Authority to Grant Exemption

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

~~8.2~~ 8.2 Exemption for Certain Exchangeable Security Issuers

~~(1)~~ **(1)** An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;

~~(2)~~ **(2)** For the purposes of subsection (1), the reference to "continuous disclosure documents" in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed under this *Instrument*.

PART 9 *INSTRUMENT IN FORCE*

~~9.1~~ 9.1 Coming Into Force - This Instrument comes into force on September 30, 2003.

~~9.2 repealed~~

9.2 Repealed (December 30, 2010)

[4] In this Part, "material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

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

1. Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.

2. Subsection 1.1.3 is amended by adding "that***" after "***person would consider***" and before "***such interest***".***

3. Subsection 1.1(4) is amended by adding "other than *reserves*** " after "*resources*" wherever it occurs.***

4. Paragraphs 1.1(5)(a) and (b) are amended by replacing "August 1, 2007***" with "***October 12, 2010***" wherever it occurs.***

5. Section 1.2 is replaced by the following:

1.2 *COGE Handbook*

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

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

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

6. Section 1.4 is amended by striking out "This concept of *materiality* is consistent with the concept of *materiality* applied in connection with financial reporting pursuant to the *CICA Handbook*.***".***

7. Section 2.3 is amended by replacing "The report of management and directors in *Form 51-101F3* may be combined with management's report on financial statements, if any, in respect of the same financial year.***" with the following:***

A *reporting issuer* may supplement the annual disclosure required under *NI 51-101* with additional information corresponding to that prescribed in *Form 51-101F1, Form 51-101F2* and *Form 51-101F3*, but as at dates, or for periods, subsequent to those for which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of *NI 51-101*.***.***

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

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

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

10. Section 2.7 is amended by

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

(4) **Supplementary Disclosure of *Future Net Revenue* Using Constant Prices and Costs** – *Form 51-101F1* gives *reporting issuers* the option of disclosing *future net revenue*, together with associated estimates of *reserves* or *resources* other than *reserves*, determined using constant prices and costs. Constant prices and

costs are assumed not to change throughout the life of a *property*, except to the extent of certain fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).**,**

(b) repealing subsection (5),

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

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

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

11. Subsection 2.8(2) is amended by

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

(b) replacing "Any variations arising due to technical factors should be consistent" ***with*** "Any variations arising due to technical factors must be consistent*".*

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

2.9 Chief Executive Officer

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

2.10 *Reporting Issuer* Not a Corporation

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

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

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

13. Section 5.3 is replaced by the following:

5.3 Classification of *Reserves* and of *Resources* Other than *Reserves*

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

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

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

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

14. Section 5.4 is amended by removing "**;**" after "**(filing *Form 51-101*" **and replacing it with "**, or**" and by removing "**; and identifying the report in the news release referred to in section 2.2**".

15. Section 5.5 is amended by adding "Other than Reserves" after "Resources" in the title.

16. Subsection 5.5(1) is replaced by the following:

(1) **Disclosure of *Resources* Generally** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 51-101*, except that a *reporting issuer* must make disclosure concerning its unproved *properties* and *resource* activities in its annual filings as described in Part 6 of *Form 51-101F1*. Additional disclosure beyond this is voluntary and must comply with section 5.9 of *NI 51-101* if *anticipated results* from the *resources* other than *reserves* are voluntarily disclosed.

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

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

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

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

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

18. Paragraph 5.5(3)(a) is amended by

(a) replacing "**In addition, pursuant**" with "**Pursuant**",

(b) deleting "**and paragraph 5.9(2)(b)**", and

(c) replacing "**paragraph 5.9(2)(b)**" with "**subsection 5.3(1)**".

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

(b) Definitions of *Resource* Categories

For the purpose of complying with the requirement of defining the *resource* category, the *reporting issuer* must ensure that disclosure of the definition is consistent with the *resource* categories and terminology set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the NI 51-101 Glossary identify and define the various *resource* categories.

A *reporting issuer* may wish to report *reserves* or *resources* other than *reserves* as "in-place volumes". By definition, *reserves* of any type, *contingent resources* and *prospective resources* are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being "in-place". Terms such as "potential *reserves*", "undiscovered *reserves*", "*reserves* in place", "in-place *reserves*" or similar terms must not be used because they are incorrect and misleading. The disclosure of *reserves* or of *resources* other than *reserves* must be consistent with the terminology and categories set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*.

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

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

(a) replacing "5.9(2)(c)(v)***" with "***5.9(2)(d)(v)***" wherever it occurs,***

(b) replacing "5.9(2)(c)(iii)***" with "***5.9(2)(d)(iii)***",***

(c) replacing "5.9(2)(c)***" with "***5.9(2)(d)***".***

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

5.9.1 Summation of Resource Categories

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

22. Subsection 5.10(2) is amended by replacing "5.9 and 5.10***" with "***5.9, 5.10 and 5.16***".***

23. Appendix 1 is amended by replacing "supplemental***" with "***supplementary***" wherever it occurs.***

These amendments become effective on December 30, 2010.

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 (*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.

NI 51-101[1] supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

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[2] 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*.

PART 1 APPLICATION AND TERMINOLOGY

1.1 Definitions

(1) **General** – Several terms relating to *oil and gas activities* are defined in section 1.1 of *NI 51-101*. If a term is not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction*, it will have the meaning or interpretation given to it in the *COGE Handbook* if it is defined or interpreted there, pursuant to section 1.2 of *NI 51-101*.

For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* (the NI 51-101 Glossary) sets out the meaning of terms, including those defined in *NI 51-101* and several terms which are derived from the *COGE Handbook*.

(2) ***Forecast Prices and Costs*** – The term *forecast prices and costs* is defined in paragraph 1.1(j) of *NI 51-101* and 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[3], *forecast prices and costs* are future prices and costs "generally accepted as being a reasonable outlook of 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* or by other reputable sources appropriate to the evaluation.

(3) ***Independent*** – The term *independent* is defined in paragraph 1.1(o) of *NI 51-101*. Applying this definition, the following are examples of circumstances in which the CSA would consider that a *qualified reserves evaluator or auditor* (or other expert) is not *independent*. We consider a *qualified reserves evaluator or auditor* is not *independent* when the *qualified reserves evaluator or auditor*:

(a) is an employee, insider, or director of the *reporting issuer*;

(b) is an employee, insider, or director of a related party of the *reporting issuer*;

(c) is a partner of any person or company in paragraph (a) or (b);

(d) holds or expects to hold securities, either directly or indirectly, of the *reporting issuer* or a related party of the *reporting issuer*;

(e) holds or expects to hold securities, either directly or indirectly, in another *reporting issuer* that has a direct or indirect interest in the property that is the subject of the technical report or an adjacent property;

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1 For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 that are printed entirely in italics).

2 "Registrant" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

3 Refer to the discussion of financial instruments in subsection 2.7(5) below.

(f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or

(g) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the *reporting issuer* or a related party of the *reporting issuer*.

For the purpose of paragraph (d) above, "related party of the *reporting issuer*" means an affiliate, associate, subsidiary, or control person of the *reporting issuer* as those terms are defined under *securities legislation*.

There may be instances in which it would be reasonable to consider that the independence of a *qualified reserves evaluator or auditor* would not be compromised even though the *qualified reserves evaluator or auditor* holds an interest in the *reporting issuer's* securities. The *reporting issuer* needs to determine whether a reasonable person would consider that such interest would interfere with the *qualified reserves evaluator's or auditor*'s judgement regarding the preparation of the technical report.

There may be circumstances in which the *securities regulatory authorities* question the objectivity of the *qualified reserves evaluator or auditor*. In order to ensure the requirement for independence of the *qualified reserves evaluator or auditor* has been preserved, the *reporting issuer* may be asked to provide further information, additional disclosure or the opinion of another *qualified reserves evaluator or auditor* to address concerns about possible bias or partiality on the part of the *qualified reserves evaluator or auditor*.

(4) ***Product Type*s Arising From *Oil* Sands and Other Non-Conventional Activities** – The definition of *product type* in paragraph 1.1(v) includes products arising from non-conventional *oil and gas activities*. *NI 51-101* therefore 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*, the extraction of methane from coal beds and the extraction of shale gas, shale oil and hydrates.

Although *NI 51-101* and *Form 51-101F1* make few specific references to non-conventional *oil and gas activities*, the requirements of *NI 51-101* for the preparation and disclosure of *reserves data* and for the disclosure of *resources* other than *reserves* apply to *oil* and *gas reserves* and *resources* other than *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*.

(5) ***Professional Organization***

(a) **Recognized *Professional Organizations***

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 paragraph 1.1(w) of *NI 51-101* and in the NI 51-101 Glossary) 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*.

As at October 12, 2010, each of the following organizations in Canada is a *professional organization*:

- 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)

(b) **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 list of foreign *professional organization*s is updated periodically in *CSA* Staff Notice 51-309 *Acceptance of Certain Foreign Professional Boards as a "Professional Organization"*. As at October 12, 2010, each of the following foreign organizations has been recognized as a *professional organization* for the purposes of *NI 51-101*:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration for Professional Engineers and Land Surveyors
- Texas Board of Professional Engineers
- American Association of Petroleum Geologists (AAPG) but only in respect of Certified Petroleum Geologists who are members of the AAPG's Division of Professional Affairs
- American Institute of Professional Geologists (AIPG), in respect of the AIPG's Certified Professional Geologists
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows

(c) **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.

(d) **Renewal Applications Unnecessary**

A successful applicant would likely have to make an application contemplated in this subsection 1.1(5) only once, and not renew it annually.

(6) ***Qualified Reserves Evaluator or Auditor*** – The definitions of *qualified reserves evaluator* and *qualified reserves auditor* are set out in paragraphs 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the NI 51-101 Glossary.

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.

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 volume 1 of the *COGE Handbook* - "Qualifications of Evaluators and Auditors, Enforcement and Discipline".

1.2 *COGE Handbook*

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

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

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

1.3 Applies to *Reporting Issuers* Only

NI 51-101 applies to *reporting issuers* engaged in *oil and gas activities*. The definition of *oil and gas activities* is broad. For example, a *reporting issuer* with no *reserves*, but a few *prospects*, unproved *properties* or *resources*, could still be engaged in *oil and gas activities* because such activities include exploration and development of unproved *properties*.

NI 51-101 will also apply to an issuer that is not yet a *reporting issuer* if it files a prospectus or other disclosure document that incorporates prospectus requirements. Pursuant to the long-form prospectus requirements, the issuer must disclose the information contained in *Form 51-101F1*, as well as the reports set out in *Form 51-101F2* and *Form 51-101F3*.

1.4 *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 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*. An item that is immaterial alone may be material in the context of other information, or may be necessary to give context to other information. For example, a large number of small interests in *oil* and *gas properties* may be material in aggregate to a *reporting issuer*. Alternatively, a small interest in an *oil* and *gas property* may be material to a *reporting issuer*, depending on the size of the *reporting issuer* and its particular circumstances.

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. The information required to be filed under item 1 of section 2.1 of *NI 51-101* is usually derived from a much longer and more detailed *oil* and *gas* report prepared by a *qualified reserves evaluator.* These long and detailed reports cannot be filed electronically on SEDAR. The filing of an oil and gas report, or a summary of an oil and gas report, does not satisfy the requirements of the annual filing under *NI 51-101*.

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 1.4 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*. Appendix 1 to this Companion Policy provides an example of how certain of the *reserves data* might be presented. While the format presented in Appendix 1 in respect of *reserves data* is not mandatory, we encourage issuers to use this format.

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.

A *reporting issuer* may supplement the annual disclosure required under *NI 51-101* with additional information corresponding to that prescribed in *Form 51-101F1, Form 51-101F2* and *Form 51-101F3*, but as at dates, or for periods, subsequent to those for which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of *NI 51-101*.

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*.

(1) **Meaning of "*Annual Information Form*"** – *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *Continuous Disclosure Obligations*. Therefore, as set out in that definition, an *annual information form* can be a completed Form 51-102F2 *Annual Information Form* or, in the case of an *SEC* issuer (as defined in NI 51-102), a completed Form 51-102F2 or an annual report or transition report under the *1934 Act* on Form 10-K, Form 10-KSB or Form 20-F.

(2) **Option to Set Out Information in *Annual Information Form*** – Form 51-102F2 *Annual Information Form* requires the information required by section 2.1 of *NI 51-101* to be included in the *annual information form*. That information may be included either by setting out the text of the information in the *annual information form* 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. However, a *reporting issuer* that elects to follow this approach must file, at the same time and on *SEDAR*, in the appropriate *SEDAR* category, a notice in accordance with *Form 51-101F4* (see subsection 2.3(2) of *NI 51-101)*. This notification 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 *Reporting Issuer* With No *Reserves*

The requirement to make annual *NI 51-101* filings is not limited to only those issuers that have *reserves* and related *future net revenue*. A *reporting issuer* with no *reserves* but with *prospects*, unproved *properties* or *resources* may be engaged in *oil and gas activities* (see section 1.3 above) and therefore subject to *NI 51-101*. That means the issuer must still make annual *NI 51-101* filings and ensure that it complies with other *NI 51-101* requirements. The following is guidance on the preparation of *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* and other *oil* and *gas* disclosure if the *reporting issuer* has no *reserves*.

(1) ***Form 51-101F1*** – Section 1.4 of *NI 51-101* states that the *Instrument* applies only in respect of information that is material in respect of a *reporting issuer*. If indeed the *reporting issuer* has no *reserves*, we would consider that fact alone material. The *reporting issuer's* disclosure, under Part 2 of *Form 51-101F1*, should make clear that it has no *reserves* and hence no related *future net revenue*.

Supporting information regarding *reserves data* required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the issuer had disclosed *reserves* and related *future net revenue* in the previous year, and has no *reserves* as at the end of its current financial year, the *reporting issuer* is still required to present a reconcilation to the prior-year's estimates of *reserves*, as required by Part 4 of *Form 51-101F1*.

The *reporting issuer* is also required to disclose information required under Part 6 of *Form 51-101F1*. Those requirements apply irrespective of the quantum of *reserves*, if any. This would include information about *properties* (items 6.1 and 6.2), costs (item 6.6), and exploration and development activities (item 6.7). The disclosure should make clear that the issuer had no *production*, as that fact would be material.

(2) ***Form 51-101F2*** – *NI 51-101* requires *reporting issuers* to retain an *independent qualified reserves evaluator or auditor* to evaluate or audit the company's *reserves data* and report to the board of directors. If the *reporting issuer* had no *reserves* during the year and hence did not retain an evaluator or auditor, then it would not need to retain one just to file a (nil) report of the *independent* evaluators on the *reserves data* in the form of *Form 51-101F2* and the *reporting issuer* would therefore not be required to file a *Form 51-101F2*. If, however, the issuer did retain an evaluator or auditor to evaluate *reserves*, and the evaluator or auditor concluded that they could not be so categorized, or reclassified those *reserves* to *resources*, the issuer would have to file a report of the *qualified reserves evaluator* because the evaluator has, in fact, evaluated the *reserves* and expressed an opinion.

(3) ***Form 51-101F3*** – Irrespective of whether the *reporting issuer* has *reserves*, the requirement to file a report of management and directors in the form of *Form 51-101F3* applies.

(4) **Other *NI 51-101* Requirements** – *NI 51-101* does not require *reporting issuers* to disclose *anticipated results* from their *resources*. However, if a *reporting issuer* chooses to disclose that type of information, section 5.9 of *NI 51-101* applies to that disclosure.

2.6 *Reservation* 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. The *CSA* recommend that *qualified reserves evaluators or auditors* follow the procedures and guidance set out in both sections 4 and 12 of volume 1 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.

2.7 Disclosure in *Form 51-101F1*

(1) **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*.

Form 51-101F1 requires that certain *reserves data* be provided on both a "*gross*" and "*net*" basis, the latter being adjusted for both royalty entitlements and royalty obligations. However, if a royalty is granted by a trust's subsidiary to the trust, this would not affect the computation of "*net reserves*". The typical *oil* and *gas* income trust structure involves the grant of a royalty by an operating subsidiary of the trust to the trust itself, the royalty being the source of the distributions to trust investors. In this case, the royalty is wholly within the combined or consolidated trust entity (the trust and its operating subsidiary). This is not the type of external entitlement or obligation for which adjustment is made in determining, for example, "*net reserves*". Viewing the trust and its consolidated entities together, the relevant *reserves* and other *oil* and *gas* information is that of the operating subsidiary without deduction of the internal royalty to the trust.

(2) **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.

(3) **Computation of *Future Net Revenue***

(a) Tax

Form 51-101F1 requires *future net revenue* to be estimated and disclosed both before and after deduction of income taxes. However, a *reporting issuer* may not be subject to income taxes because of its royalty or income trust structure. In this instance, the issuer should use the tax rate that most appropriately reflects the income tax it reasonably expects to pay on the *future net revenue*. If the issuer is not subject to income tax because of its royalty trust structure, then the most appropriate income tax rate would be zero. In this case, the issuer could present the estimates of *future net revenue* in only one column and explain, in a note to the table, why the estimates of before-tax and after-tax *future net revenue* are the same.

Also, tax pools should be taken into account when computing *future net revenue* after income taxes. The definition of "future income tax expense" is set out in the NI 51-101 Glossary. Essentially, *future income tax expenses* represent estimated cash income taxes payable on the *reporting issuer's* future pre-tax cash flows. These cash income taxes payable should be computed by applying the appropriate year-end statutory tax rates, taking into account future tax rates already legislated, to future pre-tax *net* cash flows reduced by appropriate deductions of estimated unclaimed costs and losses carried forward for tax purposes and relating to *oil and gas activities* (i.e., tax pools). Such tax pools may include Canadian *oil* and *gas property* expense (COGPE), Canadian development expense (CDE), Canadian exploration expense (CEE), undepreciated capital cost (UCC) and unused prior year's tax losses. (Issuers should be aware of limitations on the use of certain tax pools resulting from acquisitions of *properties* in situations where provisions of the Income Tax Act concerning successor corporations apply.)

(b) Other Fiscal Regimes

Other fiscal regimes, such as those involving *production* sharing contracts, should be adequately explained with appropriate allocations made to various classes of proved *reserves* and to *probable reserves*.

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

(5) **repealed.**

(6) ***Reserves* Reconciliation**

(a) If the *reporting issuer* reports *reserves*, but had no *reserves* at the start of the reconciliation period, a reconciliation of *reserves* must be carried out if any *reserves* added during the previous year are material. Such a reconciliation will have an opening balance of zero.

(b) The reserves reconciliation is prepared on a *gross reserves*, not *net reserves*, basis. For some *reporting issuers* with significant royalty interests, such as royalty trusts, the *net reserves* may exceed the *gross reserves*. In order to provide adequate disclosure given the distinctive nature of its business, the *reporting issuer* may also disclose its *reserves* reconciliation on a *net reserves* basis. The issuer is not precluded from providing this additional information with its disclosure prescribed in *Form 51-101F1* provided that the *net reserves* basis for the reconciliation is clearly identified in the additional disclosure to avoid confusion.

(c) Clause 2(c)(ii) of item 4.1 of *Form 51-101F1* requires reconciliations of *reserves* to separately identify and explain technical revisions. Technical revisions show changes in existing *reserves* estimates, in respect of carried-forward *properties*, over the period of the reconciliation (i.e., between estimates as at the *effective date* and the prior year's estimate) and are the result of new technical information, not the result of capital expenditure. With respect to making technical revisions, the following should be noted:

- Infill Drilling: It would not be acceptable to include infill drilling results as a technical revision. *Reserves* additions derived from infill drilling during the year are not attributable to revisions to the previous year's *reserves* estimates. Infill drilling *reserves* must either be included in the "extensions and improved recovery" category or in an additional stand-alone category in the reserves reconciliation labelled "infill drilling".

- Acquisitions: If an acquisition is made during the year, (i.e., in the period between the *effective date* and the prior year's estimate), the *reserves* estimate to be used in the reconciliation is the estimate of *reserves* at the *effective date*, not at the acquisition date, plus any *production* since the acquisition date. This *production* must be included as *production* in the reconciliation. If there has been a change in the *reserves* estimate between the acquisition date and the *effective date* other than that due to *production*, the issuer may wish to explain this as part of the reconciliation in a footnote to the reconciliation table.

(7) **Significant Factors or Uncertainties** – Item 5.2 of *Form 51-101F1* requires an issuer to identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data*.

For example, if events subsequent to the *effective date* have resulted in significant changes in expected future prices, such that the forecast prices reflected in the *reserves data* differ materially from those that would be considered to be a reasonable outlook on the future around the date of the company's "statement of *reserves data* and other information", then the issuer's statement might include, pursuant to item 5.2, a discussion of that change and its effect on the disclosed *future net revenue* estimates. It may be misleading to omit this information.

(8) **Additional Information** – As discussed in section 2.3 above and in the instructions to *Form 51-101F1*, *NI 51-101* offers flexibility in the use of the prescribed forms and the presentation of required information.

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

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.

(9) **Sample *Reserves Data* Disclosure** – Appendix 1 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 CSA encourages *reporting issuers* to use the format presented in Appendix 1.

The sample presentation in Appendix 1 also illustrates how certain additional information not mandated under *Form 51-101F1* might be incorporated in an annual filing.

2.8 *Form 51-101F2*

(1) **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*.

In the rare case, if any, in which there are compelling reasons for making such disclosure (e.g., a prohibition on disclosure to external parties), 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.

(2) **Variations in Estimates** – The report prescribed by *Form 51-101F2* contains statements to the effect that variations between *reserves data* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.

Reserves estimates are made at a point in time, being the *effective date*. A reconciliation of a *reserves* estimate to actual results is likely to show variations and the variations may be material. This variation may arise from factors such as exploration discoveries, acquisitions, divestments and economic factors that were not considered in the initial *reserves* estimate. Variations that occur with respect to *properties* that were included in both the *reserves* estimate and the actual results may be due to technical or economic factors. Any variations arising due to technical factors must be consistent with the fact that *reserves* are categorized according to the probability of their recovery. For example, the requirement that reported *proved reserves* "must have at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated *proved reserves*" (section 5 of volume 1 of the *COGE Handbook*) implies that as more technical data becomes available, a positive, or upward, revision is significantly more likely than a negative, or downward, revision. Similarly, it should be equally likely that revisions to an estimate of *proved* plus *probable reserves* will be positive or negative.

Reporting issuers must assess the magnitude of such variation according to their own circumstances. A *reporting issuer* with a limited number of *properties* is more likely to be affected by a change in one of these *properties* than a *reporting issuer* with a greater number of *properties*. Consequently, *reporting issuers* with few *properties* are more likely to show larger variations, both positive and negative, than those with many *properties*.

Variations may result from factors that cannot be reasonably anticipated, such as the fall in the price of *bitumen* at the end of 2004 that resulted in significant negative revisions in *proved reserves*, or the unanticipated activities of a foreign government. If such variations occur, the reasons will usually be obvious. However, the assignment of a *proved reserve*, for instance, should reflect a degree of confidence in all of the relevant factors, at the *effective date*, such that the likelihood of a negative revision is low, especially for a *reporting issuer* with many properties. Examples of some of the factors that could have been reasonably anticipated, that have led to negative revisions of *proved* or of *proved* plus *probable reserves* are:

- Over-optimistic activity plans, for instance, booking reserves for *proved* or *probable undeveloped reserves* that have no reasonable likelihood of being drilled.

- *Reserves* estimates that are based on a forecast of *production* that is inconsistent with historic performance, without solid technical justification.

- Assignment of drainage areas that are larger than can be reasonably expected.

- The use of inappropriate analogs.

(3) ***Effective date* of *Evaluation*** – A *qualified reserves evaluator or auditor* cannot prepare an *evaluation* using information that relates to events that occurred after the *effective date*, being the financial year-end. Information that relates to events that occurred after the year-end should not be incorporated into the forecasts. For example, information about drilling results from wells drilled in January or February, or changes in *production* that occurred after year-end date of December 31, should not be used. Even though this more recent information is available, the evaluator or auditor should not go back and change the forecast information. The forecast is to be based on the evaluator's or auditor's perception of the future as of December 31, the *effective date* of the report.

Similarly, the evaluator or auditor should not use price forecasts for a date subsequent to the year-end date of, in this example, December 31. The evaluator or auditor should use the prices that he or she forecasted on or around December 31. The evaluator or auditor should also use the December forecasts for exchange rates and inflation. Revisions to price, exchange rate or inflation rate forecasts after December 31 would have resulted from events that occurred after December 31.

2.9 Chief Executive Officer

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

2.10 *Reporting Issuer* Not a Corporation

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

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 Consistency in Dates

Section 4.2 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 and 12 of volume 1 of the *COGE Handbook* set out procedures and guidance for the conduct of *reserves evaluations* and *reserves audits*, respectively. Section 12 deals with the relationship between a *reserves* auditor and the client's financial auditor. Section 4, 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 and 12 of volume 1 of the *COGE Handbook*, whether conducting a *reserves evaluation* or a *reserves* audit.

PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

5.1 Application of Part 5

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 s–ubject 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. For example, if material distributed at a company presentation refers to *BOEs*, the material should include, near the reference to *BOEs*, the cautionary statement required by paragraph 5.14(d) of *NI 51-101*.

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 Disclosure of *Reserves* and Other Information

(1) **General** – A *reporting issuer* must comply with the requirements of section 5.2 in its disclosure, to the public, of *reserves* estimates and other information of a type specified in *Form 51-101F1*. This would include, for example, disclosure of such information in a news release.

(2) ***Reserves*** – *NI 51-101* does not prescribe any particular methods of estimation but it does require that a *reserve* estimate be prepared in accordance with the *COGE Handbook*. For example, section 5 of volume 1 of the *COGE Handbook* specifies that, in respect of an issuer's reported proved *reserves*, 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*.

Additional guidance on particular topics is provided below.

(3) ***Possible Reserves*** – A *possible reserves* estimate – either alone or as part of a sum - is often a relatively large number that, by definition, has a low probability of actually being produced. For this reason, the cautionary language prescribed in subparagraph 5.2(a)(v) of *NI 51-101* must accompany the written disclosure of a *possible reserves* estimate.

(4) **Probabilistic and Deterministic *Evaluation* Methods** – Section 5 of volume 1 of the *COGE Handbook* states that "In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods".

When deterministic methods are used, in the absence of a "mathematically derived quantitative measure of probability", the classification of *reserves* is based on professional judgment as to the quantitative measure of certainty attained.

When probabilistic methods are used in conjunction with good engineering and geological practice, they will provide more statistical information than the conventional deterministic method. The following are a few critical criteria that an evaluator must satisfy when applying probabilistic methods:

- The evaluator must still estimate the *reserves* applying the definitions and using the guidelines set out in the *COGE Handbook*.

- Entity level probabilistic *reserves* estimates should be aggregated arithmetically to provide reported level *reserves*.

- If the evaluator also prepares aggregate *reserves* estimates using probabilistic methods, the evaluator should explain in the *evaluation* report the method used. In particular, the evaluator should specify what confidence levels were used at the entity, *property*, and reported (i.e., total) levels for each of *proved*, *proved* + *probable* and *proved* + *probable* + *possible* (if reported) *reserves*.

- If the *reporting issuer* discloses the aggregate *reserves* that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the *reserves* definitions used for estimating the *reserves*, about the method that the evaluator used, and the underlying confidence levels that the evaluator applied.

(5) **Availability of Funding** – In assigning *reserves* to an undeveloped *property*, the *reporting issuer* is not required to have the funding available to develop the *reserves*, since they may be developed by means other than the expenditure of the *reporting issuer's* funds (for example by a farm-out or sale). *Reserves* must be estimated assuming that development of the *properties* will occur without regard to the likely availability of funding required for that *property*. The *reporting issuer's* evaluator is not required to consider whether the *reporting issuer* will have the capital necessary to develop the *reserves*. (See section 7 of *COGE Handbook* and subparagraph 5.2(a)(iv) of *NI 51-101*.)

However, item 5.3 of *Form 51-101F1* requires a *reporting issuer* to discuss its expectations as to the sources and costs of funding for estimated future *development costs*. If the issuer expects that the costs of funding would make development of a *property* unlikely, then even if *reserves* were assigned, it must also discuss that expectation and its plans for the *property*.

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

(6) ***Proved* or *Probable Undeveloped Reserves*** – *Proved* or *probable undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the *proved* or *probable undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the *proved* or *probable undeveloped reserves* are not disclosed to the public, then those who have a special relationship

with the issuer and know about the existence of these *reserves* would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has a prospectus, the prospectus might not contain full, true and plain disclosure of all *material* facts if it does not contain information about these *proved* or *probable undeveloped reserves*.

(7) **Mechanical Updates** – So-called "mechanical updates" of *reserves* reports are sometimes created, often by rerunning previous *evaluations* with a new price deck. This is problematic since there may have been material changes other than price that may lead to the report being misleading. If a *reporting issuer* discloses the results of the mechanical update it should ensure that all relevant material changes are also disclosed to ensure that the information is not misleading.

5.3 Classification of *Reserves* and of *Resources* Other than *Reserves*

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

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

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

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

5.4 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 *Form 51-101F1*, or making direct or indirect reference to the conclusions of that report in the filed *Form 51-101F1* and *Form 51-101F3*). 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.

5.5 Disclosure of *Resources* Other than *Reserves*

(1) **Disclosure of *Resources* Generally** – The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 51-101*, except that a *reporting issuer* must make disclosure concerning its unproved *properties* and *resource* activities in its annual filings as described in Part 6 of *Form 51-101F1*. Additional disclosure beyond this is voluntary and must comply with section 5.9 of *NI 51-101* if *anticipated results* from the *resources* other than *reserves* are voluntarily disclosed.

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

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

[4] For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0)) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora,

(2) **Disclosure of *Anticipated Results* under Subsection 5.9(1) of *NI 51-101*** – If a *reporting issuer* voluntarily discloses *anticipated results* from *resources* that are not classified as *reserves*, it must disclose certain basic information concerning the *resources*, which is set out in subsection 5.9(1) of *NI 51-101*. Additional disclosure requirements arise if the *anticipated results* disclosed by the issuer include an estimate of a *resource* quantity or associated value, as set out below in subsection 5.5(3).

If a *reporting issuer* discloses *anticipated results* relating to numerous aggregated *properties, prospects* or *resources*, the issuer may, depending on the circumstances, satisfy the requirements of subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The *reporting issuer* must ensure that its disclosure is reasonable, meaningful and at a level appropriate to its size. For a *reporting issuer* with only few *properties*, it may be appropriate to make the disclosure for each *property*. Such disclosure may be unreasonably onerous for a *reporting issuer* with many *properties*, and it may be more appropriate to summarize the information by major areas or for major projects. However, the convenience of aggregating *properties* will not justify disclosure of *resources* in a category or subcategory less specific than would otherwise be possible, and required to be disclosed by subsection 5.3(1) of *NI 51-101*.

In respect of the requirement to disclose the risk and level of uncertainty associated with the *anticipated result* under paragraph 5.9(1)(d) of *NI 51-101*, risk and uncertainty are related concepts. Section 9 of volume 1 of the *COGE Handbook* provides the following definition of risk:

> "Risk refers to a likelihood of loss and … It is less appropriate to *reserves* evaluation because economic viability is a prerequisite for defining *reserves*."

The concept of risk may have some limited relevance in disclosure related to *reserves*, for instance, for incremental *reserves* that depend on the installation of a compressor, the likelihood that the compressor will be installed. Risk is often relevant to the disclosure of *resource* categories other than *reserves*, in particular the likelihood that an exploration well will, or will not, be successful.

Section 9 of volume 1 of the *COGE Handbook* provides the following definition of uncertainty:

> "Uncertainty is used to describe the range of possible outcomes of a *reserves* estimate."

However, the concept of uncertainty is generally applicable to any estimate, including not only *reserves*, but also to all other categories of *resource*.

In satisfying the requirement of paragraph 5.9(1)(d) of *NI 51-101,* a *reporting issuer* should ensure that their disclosure includes the risks and uncertainties that are appropriate and meaningful for their activities. This may be expressed quantitatively as probabilities or qualitatively by appropriate description. If the *reporting issuer* chooses to express the risks and level of uncertainty qualitatively, the disclosure must be meaningful and not in the nature of a general disclaimer.

If the *reporting issuer* discloses the estimated value of an *unproved property* other than a value attributable to an estimated *resource* quantity, then the issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e). This type of value is typically based on petroleum land management practices that consider activities and land prices in nearby areas. If done *independently*, it would be done by a valuator with petroleum land management expertise who would generally be a member of a *professional organization* such as the Canadian Association of Petroleum Landmen. This is distinguishable from the determination of a value attributable to an estimated *resource* quantity, as contemplated in subsection 5.9(2). This latter type of value estimate must be prepared by a *qualified reserves evaluator or auditor*.

The calculation of an estimated value described in paragraph 5.9(1)(e) may be based on one or more of the following factors:

- the acquisition cost of the *unproved property* to the *reporting issuer*, provided there have been no material changes in the *unproved property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;

- recent sales by others of interests in the same *unproved property*;

Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1)

- terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *unproved property*;
- terms and conditions, expressed in monetary terms, of recent work commitments related to the *unproved property*;
- recent sales of similar *properties* in the same general area;
- recent exploration and discovery activity in the general area;
- the remaining term of the *unproved property*; or
- burdens (such as overriding royalties) that impact on the value of the *property*.

The *reporting issuer* must disclose the basis of the calculation of the value of the *unproved property*, which may include one or more of the above-noted factors.

The *reporting issuer* must also disclose whether the value was prepared by an *independent* party. In circumstances in which paragraph 5.9(1)(e) applies and where the value is prepared by an *independent* party, 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.

(3) **Disclosure of an Estimate of Quantity or Associated Value of a *Resource* under Subsection 5.9(2) of *NI 51-101***

(a) Overview of Subsection 5.9(2) of *NI 51-101*

Pursuant to subsection 5.9(2) of *NI 51-101*, if a *reporting issuer* discloses an estimate of a *resource* quantity or an associated value, the estimate must have been prepared by a *qualified reserves evaluator or auditor*. If a *reporting issuer* obtains or carries out an evaluation of *resources* and wishes to file or disseminate a report in a format comparable to that prescribed in *Form 51-101F2*, it may do so. However, the title of such a form must not contain the term "*Form 51-101 F2*" as this form is specific to the evaluation of *reserves data*. *Reporting issuers* must modify the report on *resources* to reflect that *reserves data* is not being reported. A heading such as "Report on *Resource* Estimate by *Independent Qualified Reserves Evaluator or Auditor*" may be appropriate. Although such an evaluation is required to be carried out by a *qualified reserves evaluator or auditor*, there is no requirement that it be *independent*. If an *independent* party does not prepare the report, *reporting issuers* should consider amending the title or content of the report to make it clear that the report has not been prepared by an *independent* party and the *resource* estimate is not an independent *resource* estimate.

The *COGE Handbook* recommends the use of probabilistic *evaluation* methods for making *resource* estimates, and although it does not provide detailed guidance there is a considerable amount of technical literature on the subject.

Pursuant to section 5.3 of *NI 51-101*, the *reporting issuer* must ensure that the estimated *resource* relates to the most specific category of *resources* in which the *resource* can be classified. As discussed above in subsection 5.5(2) of this Companion Policy, if a *reporting issuer* wishes to disclose an aggregate *resource* estimate which involves the aggregation of numerous *properties, prospects* or *resources*, it must ensure that the disclosure does not result in a contravention of the requirement in subsection 5.3(1) of *NI 51-101*.

Subsection 5.9(2) requires the *reporting issuer* to disclose certain information in addition to that prescribed in subsection 5.9(1) of *NI 51-101* to assist recipients of the disclosure in understanding the nature of risks associated with the estimate. This information includes a definition of the *resource* category used for the estimate, disclosure of factors relevant to the estimate and cautionary language.

(b) Definitions of *Resource* Categories

For the purpose of complying with the requirement of defining the *resource* category, the *reporting issuer* must ensure that disclosure of the definition is consistent with the *resource* categories and terminology set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the NI 51-101 Glossary identify and define the various *resource* categories.

A *reporting issuer* may wish to report *reserves* or *resources* other than *reserves* as "in-place volumes". By definition, *reserves* of any type, *contingent resources* and *prospective resources* are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being "in-place". Terms such as "potential *reserves*", "undiscovered *reserves*", "*reserves* in place", "in-place *reserves*" or similar terms must not be used because they are incorrect and misleading. The disclosure of *reserves* or of *resources* other than *reserves* must be consistent with the terminology and categories set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*.

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

(c) Application of Subsection 5.9(2) of *NI 51-101*

If the *reporting issuer* discloses an estimate of a *resource* quantity or associated value, the *reporting issuer* must additionally disclose the following:

(i) a definition of the *resource* category used for the estimate;

(ii) the *effective date* of the estimate;

(iii) significant positive and negative factors relevant to the estimate;

(iv) the contingencies which prevent the classification of a contingent *resource* as a *reserve*; and

(v) cautionary language as prescribed by subparagraph 5.9(2)(d)(v) of *NI 51-101*.

The *resource* estimate may be disclosed as a single quantity such as a median or mean, representing the best estimate. Frequently, however, the estimate consists of three values that reflect a range of reasonable likelihoods (the low value reflecting a conservative estimate, the middle value being the best estimate, and the high value being an optimistic estimate).

Guidance concerning defining the *resource* category is provided above in section 5.3 and paragraph 5.5(3)(b) of this Companion Policy.

Reporting issuers are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(d)(iii). For example, if there is no infrastructure in the region to transport the resource, this may constitute a significant negative factor relevant to the estimate. Other examples would include a significant lease expiry or any legal, capital, political, technological, business or other factor that is highly relevant to the estimate. To the extent that the *reporting issuer* discloses an estimate for numerous properties that are aggregated, it may disclose significant positive and negative factors relevant to the aggregate estimate, unless discussion of a particular material *resource* or *property* is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(d)(v) includes a prescribed disclosure that there is no certainty that it will be commercially viable to produce any portion of the resources. The concept of commercial viability would incorporate the meaning of the word "commercial" provided in the NI 51-101 Glossary.

The general disclosure requirements of paragraph 5.9(2)(d) of *NI 51-101* may be illustrated by an example. If a *reporting issuer* discloses, for example, an estimate of a volume of its *bitumen* which is a *contingent resource* to the issuer, the disclosure would include information of the following nature:

> The *reporting issuer* holds a [●] interest in [provide description and location of interest]. As of [●] date, it estimates that, in respect of this interest, it has [●] bbls of *bitumen*, which would be classified as a *contingent resource*. A *contingent resource* is defined as [cite current definition in the *COGE Handbook*]. There is no certainty that it will be commercially viable to produce any portion of the *resource*. The contingencies which currently prevent the classification of the *resource* as a *reserve* are [state specific capital costs required to render *production* economic, applicable regulatory considerations, pricing, specific supply costs, technological considerations, and/or other relevant factors]. A significant factor relevant to the estimate is [e.g.] an existing legal dispute concerning title to the interest.

To the extent that this information is provided in a previously filed document, and it relates to the same interest in *resources*, the issuer can omit disclosure of significant positive and negative factors relevant to the estimate and the contingencies which prevent the classification of the *resource* as a *reserve*. However, the issuer must make reference in the current disclosure to the title and date of the previously filed document.

5.6 *Analogous Information*

A *reporting issuer* may wish to base an estimate on, or include comparative *analogous information* for their area of interest, such as *reserves*, *resources*, and *production*, from *fields* or wells, in nearby or geologically similar areas. Particular care must be taken in using and presenting this type of information. Using only the best wells or *fields* in an area, or ignoring dry holes, for instance, may be particularly misleading. It is important to present a factual and balanced view of the information being provided.

The *reporting issuer* must comply with the disclosure requirements of section 5.10 of *NI 51-101*, when it discloses *analogous information*, as that term is broadly defined in *NI 51-101*, for an area which includes an area of the *reporting issuer's* area of interest. Pursuant to subsection 5.10(2) of *NI 51-101*, if the issuer discloses an estimate of its own *reserves* or *resources* based on an extrapolation from the *analogous information*, or if the *analogous information* itself is an estimate of its own *reserves* or *resources*, the issuer must ensure the estimate is prepared in accordance with the *COGE Handbook* and disclosed in accordance with *NI 51-101* generally. For example, in respect of a *reserves* estimate, the estimate must be classified and prepared in accordance with the *COGE Handbook* by a *qualified reserves evaluator or auditor* and must otherwise comply with the requirements of section 5.2 of *NI 51-101*.

5.7 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. Issuers should refer to Appendices B and C of volume 1 of the *COGE Handbook* for the proper reporting of units of measurement.

In all cases, in accordance with subparagraph 5.2(a)(iii) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant terminology and unit prefixes set out in the *COGE Handbook***.**

5.8 *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.

5.9 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*.

5.9.1 Summation of Resource Categories

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

5.10 Prospectus Disclosure

In addition to the general disclosure requirements in *NI 51-101* which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

(1) **Significant Acquisitions** – To the extent that an issuer engaged in *oil and gas activities* discloses a significant acquisition in its prospectus, it must disclose sufficient information for a reader to determine how the acquisition affected the *reserves data* and other information previously disclosed in the issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 51-101* with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions.

(2) **Disclosure of *Resources*** – The disclosure of *resources*, excluding *proved* and *probable reserves*, is generally not mandatory under *NI 51-101*, except for certain disclosure concerning the issuer's unproved *properties* and *resource* activities as described in Part 6 of *Form 51-101F1*, which information would be incorporated into the prospectus. Additional disclosure beyond this is voluntary and must comply with sections 5.9, 5.10 and 5.16 of *NI 51-101*, as applicable. However, the general securities disclosure obligation of "full, true and plain" disclosure of all *material* facts in a prospectus would require the disclosure of *resources* that are *material* to the issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.

(3) ***Proved* or *Probable Undeveloped reserves*** – Further to the guidance provided in subsection 5.2(4) of this Companion Policy, *proved* or *probable undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the *proved* or *probable undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the issuer has a prospectus, the prospectus might not contain full, true and plain disclosure of all *material* facts if it does not contain information about these *proved undeveloped reserves*.

(4) ***Reserves* Reconciliation in an Initial Public Offering** – In an initial public offering, if the issuer does not have a *reserves* report as at its prior year-end, or if this report does not provide the information required to carry out a *reserves* reconciliation pursuant to item 4.1 of *Form 51-101F1*, the *CSA* may consider granting relief from the requirement to provide the *reserves* reconciliation. A condition of the relief may include a description in the prospectus of relevant changes in any of the categories of the *reserves* reconciliation.

(5) **Relief to Provide More Recent *Form 51-101F1* Information in a Prospectus** –-If an issuer is filing a preliminary prospectus and wishes to disclose *reserves data* and other *oil* and *gas* information as at a more recent date than its applicable year-end date, the *CSA* may consider relieving the issuer of the requirement to disclose the *reserves data* and other information as at year-end.

An issuer may determine that its obligation to provide full, true and plain disclosure obliges it to include in its prospectus *reserves data* and other *oil* and *gas* information as at a date more recent than specified in the prospectus requirements. The prospectus requirements state that the information must be as at the issuer's most recent financial year-end in respect of which the prospectus includes financial statements. The prospectus requirements, while certainly not presenting an obstacle to such more current disclosure, would nonetheless require that the corresponding information also be provided as at that financial year-end.

We would consider granting relief on a case-by-case basis to permit an issuer in these circumstances to include in its prospectus the *oil* and *gas* information prepared with an *effective date* more recent than the financial year-end date, without also including the corresponding information effective as at the year-end date. A consideration for granting this relief may include disclosure of *Form 51-101F1* information with an *effective date* that coincides with the date of interim financial statements. The issuer should request such relief in the covering letter accompanying its preliminary prospectus. The grant of the relief would be evidenced by the prospectus receipt.

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 the material change has affected the issuer's *reserves data* and other information contained in its filed disclosure. This would not necessarily require that an *evaluation* be carried out. However, the *reporting issuer* should ensure it complies with the general disclosure requirements set out in Part 5, as applicable. For example, if the material change report discloses an updated *reserves* estimate, this should be prepared in accordance with the *COGE Handbook* and by a *qualified reserves evaluator or auditor*.

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.

APPENDIX 1
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* do not mandate the format of the disclosure of *reserves data* and related information by *reporting issuers*. However, the CSA encourages *reporting issuers* to use the format presented in this Appendix.

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 1.4, 2.2 and 2.3 and subsections 2.7(8) and 2.7(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*.

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
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS[2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
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) Other product types must be added if material.
(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.

OPTIONAL SUPPLEMENTARY

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

OPTIONAL SUPPLEMENTARY

Reference: Item 2.2 of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOPMENT COSTS (M$)	ABANDONMENT AND RECLAMATION 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 SUPPLEMENTARY

Reference: Item 2.2 of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]

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
	Non-Conventional Oil and Gas Activities	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
	Non-Conventional Oil and Gas Activities	xxx

OPTIONAL SUPPLEMENTARY

Reference: Item 2.2 of Form 51-101 F1

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006
FORECAST PRICES AND COSTS

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS [2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
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) Other product types must be added if material.
(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006
FORECAST PRICES AND COSTS

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

(1) A reporting issuer may wish to satisfy its requirement to disclose these unit values by inserting this disclosure for each category of proved reserves and for probable reserves, by production group, in the chart for item 2.1(3)(c) of *Form 51-101F1* (see sample chart below entitled Future Net Revenue by Production Group).
(2) The unit values are based on net reserve volumes.

Reference: Item 2.1(1) and (2) of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOPMENT COSTS (M$)	ABANDONMENT AND RECLAMATION 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 2.1(3)(b) of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)	UNIT VALUE ($/Mcf) ($/bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	

Reference: Item 2.1(3)(c) of *Form 51-101F1*

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, 2006
CONSTANT PRICES AND COSTS[1]

Year	OIL[2]				NATURAL GAS[2]	NATURAL GAS LIQUIDS	EXCHANGE RATE[3]
	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40^0 API ($Cdn/bbl)	Hardisty Heavy 12^0 API ($Cdn/bbl)	Cromer Medium 29.3^0 API ($Cdn/bbl)	AECO Gas Price ($Cdn/MMBtu	FOB Field Gate ($Cdn/bbl)	($US/$Cdn)
Historical (Year End)							
2003	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx
2006 (Year End)	xx	xx	xx	xx	xx	xx	xx

OPTIONAL
SUPPLEMENTARY

(1) This disclosure is triggered by optional supplementary disclosure of item 2.2 of *Form 51-101F1*.
(2) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
(3) 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, 2006
FORECAST PRICES AND COSTS

Year	OIL[1]				NATURAL GAS[1]	NATURAL GAS LIQUIDS	INFLATION RATES[2]	EXCHANGE RATE[3]
	WTI Cushing Oklahoma $US/bbl	Edmonton Par Price 40^0 API $Cdn/bbl	Hardisty Heavy 12^0 API $Cdn/bbl	Cromer Medium 29.3^0 API $Cdn/bbl	AECO Gas Price ($Cdn/MMBtu)	FOB Field Gate ($Cdn/bbl)	%/Year	$US/$Cdn
Historical[4]								
2003	xx	xx	xx	xx	xx	xx	xx	xx
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
Forecast								
2007	xx	xx	xx	xx	xx	xx	xx	xx
2008	xx	xx	xx	xx	xx	xx	xx	xx
2009	xx	xx	xx	xx	xx	xx	xx	xx
2010	xx	xx	xx	xx	xx	xx	xx	xx
2011	xx	xx	xx	xx	xx	xx	xx	xx
Thereafter	xx	xx	xx	xx	xx	xx	xx	xx

(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 (2006, in this example).

OPTIONAL
SUPPLEMENTARY

Reference: Item 3.2 of Form 51-101 F1

RECONCILIATION OF
COMPANY GROSS RESERVES
BY PRODUCT TYPE(1)

FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & 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, 2006	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) The reserves reconciliation must include other product types, including synthetic oil, bitumen, coal bed methane, hydrates, shale oil and shale gas, if material for the reporting issuer.

Reference: Item 4.1 of *Form 51-101F1*

COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

TABLE OF CONTENTS

COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

This Companion Policy sets out the views of the Canadian Securities Administrators (*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.

NI 51-101[1] supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

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[2] 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*.

~~PART 1~~ PART 1 APPLICATION AND TERMINOLOGY

~~1.1~~ 1.1 Definitions

~~(1)~~ **(1)** **General** - Several terms relating to *oil and gas activities* are defined in section 1.1 of *NI 51-101*. If a term is not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction*, it will have the meaning or interpretation given to it in the *COGE Handbook* if it is defined or interpreted there, pursuant to section 1.2 of *NI 51-101*.

For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* (the NI 51-101 Glossary) sets out the meaning of terms, including those defined in *NI 51-101* and several terms which are derived from the *COGE Handbook*.

~~(2)~~ **(2)** ***Forecast Prices and Costs*** - The term *forecast prices and costs* is defined in paragraph 1.1(j) of *NI 51-101* and 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[3], *forecast prices and costs* are future prices and costs "generally accepted as being a reasonable outlook of 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* or by other reputable sources appropriate to the evaluation.

~~(3)~~ **(3)** ***Independent*** - The term *independent* is defined in paragraph 1.1(o) of *NI 51-101*. Applying this definition, the following are examples of circumstances in which the CSA would consider that a *qualified reserves evaluator or auditor* (or other expert) is not *independent*. We consider a *qualified reserves evaluator or auditor* is not *independent* when the *qualified reserves evaluator or auditor*:

~~(a)~~ **(a)** is an employee, insider, or director of the *reporting issuer*;

~~(b)~~ **(b)** is an employee, insider, or director of a related party of the *reporting issuer*;

~~(c)~~ **(c)** is a partner of any person or company in paragraph (a) or (b);

~~(d)~~ **(d)** holds or expects to hold securities, either directly or indirectly, of the *reporting issuer* or a related party of the *reporting issuer*;

~~(e)~~ **(e)** holds or expects to hold securities, either directly or indirectly, in another *reporting issuer* that has a direct or indirect interest in the property that is the subject of the technical report or an adjacent property;

~~(f)~~ **(f)** has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or

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1 For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 that are printed entirely in italics).

2 "Registrant" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

3 Refer to the discussion of financial instruments in subsection 2.7(5) below.

~~(g)~~ **(g)** has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the *reporting issuer* or a related party of the *reporting issuer*.

For the purpose of paragraph (d) above, "related party of the *reporting issuer*" means an affiliate, associate, subsidiary, or control person of the *reporting issuer* as those terms are defined under *securities legislation*.

There may be instances in which it would be reasonable to consider that the independence of a *qualified reserves evaluator or auditor* would not be compromised even though the *qualified reserves evaluator or auditor* holds an interest in the *reporting issuer's* securities. The *reporting issuer* needs to determine whether a reasonable person would consider **that** such interest would interfere with the *qualified reserves evaluator's or auditor*'s judgement regarding the preparation of the technical report.

There may be circumstances in which the *securities regulatory authorities* question the objectivity of the *qualified reserves evaluator or auditor*. In order to ensure the requirement for independence of the *qualified reserves evaluator or auditor* has been preserved, the *reporting issuer* may be asked to provide further information, additional disclosure or the opinion of another *qualified reserves evaluator or auditor* to address concerns about possible bias or partiality on the part of the *qualified reserves evaluator or auditor*.

~~(4)~~ **(4)** ***Product Type*s Arising From *Oil* Sands and Other Non-Conventional Activities** - The definition of *product type* in paragraph 1.1(v) includes products arising from non-conventional *oil and gas activities*. *NI 51-101* therefore 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*, the extraction of methane from coal beds and the extraction of shale gas, shale oil and hydrates.

Although *NI 51-101* and *Form 51-101F1* make few specific references to non-conventional *oil and gas activities*, the requirements of *NI 51-101* for the preparation and disclosure of *reserves data* and for the disclosure of *resources* **other than *reserves*** apply to *oil* and *gas reserves* and *resources* **other than *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*.

~~(5)~~ **(5)** ***Professional Organization***

(a) **Recognized *Professional Organizations***

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 paragraph 1.1(w) of *NI 51-101* and in the NI 51-101 Glossary) 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*.

As at ~~August 1, 2007~~,**October 12, 2010,** each of the following organizations in Canada is a *professional organization*:

- 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)

(b) **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 list of foreign *professional organization*s is updated periodically in *CSA* Staff Notice 51-309 *Acceptance of Certain Foreign Professional Boards as a "Professional Organization"*. As at ~~August 1, 2007~~**October 12, 2010**, each of the following foreign organizations has been recognized as a *professional organization* for the purposes of *NI 51-101*:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration for Professional Engineers and Land Surveyors
- Texas Board of Professional Engineers
- American Association of Petroleum Geologists (AAPG) but only in respect of Certified Petroleum Geologists who are members of the AAPG's Division of Professional Affairs
- American Institute of Professional Geologists (AIPG), in respect of the AIPG's Certified Professional Geologists
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows

(c) **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.

(d) **Renewal Applications Unnecessary**

A successful applicant would likely have to make an application contemplated in this subsection 1.1(5) only once, and not renew it annually.

~~(6)~~ **(6)** ***Qualified Reserves Evaluator or Auditor*** - The definitions of *qualified reserves evaluator* and *qualified reserves auditor* are set out in paragraphs 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the NI 51-101 Glossary.

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.

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 volume 1 of the *COGE Handbook* - "Qualifications of Evaluators and Auditors, Enforcement and Discipline".

~~1.2~~ 1.2 *COGE Handbook*

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

Section 1.1 of *NI 51-101* and the NI 51-101 Glossary set out definitions and interpretations, many of which are derived from the *COGE Handbook*. *Reserves* and *resources* definitions and categories ~~developed by the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (CIM)~~ are incorporated in the *COGE Handbook* and **are** also set out, in part, in the NI 51-101 Glossary.

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

~~1.3~~ 1.3 Applies to *Reporting Issuers* Only

NI 51-101 applies to *reporting issuers* engaged in *oil and gas activities*. The definition of *oil and gas activities* is broad. For example, a *reporting issuer* with no *reserves*, but a few *prospects*, unproved *properties* or *resources*, could still be engaged in *oil and gas activities* because such activities include exploration and development of unproved *properties*.

NI 51-101 will also apply to an issuer that is not yet a *reporting issuer* if it files a prospectus or other disclosure document that incorporates prospectus requirements. Pursuant to the long-form prospectus requirements, the issuer must disclose the information contained in *Form 51-101F1*, as well as the reports set out in *Form 51-101F2* and *Form 51-101F3*.

~~1.4~~ 1.4 *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 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*. An item that is immaterial alone may be material in the context of other information, or may be necessary to give context to other information. For example, a large number of small interests in *oil* and *gas properties* may be material in aggregate to a *reporting issuer*. Alternatively, a small interest in an *oil* and *gas property* may be material to a *reporting issuer*, depending on the size of the *reporting issuer* and its particular circumstances.

~~PART 2~~ PART 2 ANNUAL FILING REQUIREMENTS

~~2.1~~ 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. The information required to be filed under item 1 of section 2.1 of *NI 51-101* is usually derived from a much longer and more detailed *oil* and *gas* report prepared by a *qualified reserves evaluator.* These long and detailed reports cannot be filed electronically on SEDAR. The filing of an oil and gas report, or a summary of an oil and gas report, does not satisfy the requirements of the annual filing under *NI 51-101*.

~~2.2~~ 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 1.4 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~~ 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*. Appendix 1 to this Companion Policy provides an example of how certain of the *reserves data* might be presented. While the format presented in Appendix 1 in respect of *reserves data* is not mandatory, we encourage issuers to use this format.

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.

A *reporting issuer* may supplement the annual disclosure required under *NI 51-101* with additional information corresponding to that prescribed in *Form 51-101F1, Form 51-~~-~~101F2* and *Form 51-101F3*, but as at dates, or for periods, subsequent to those for which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of *NI 51-101*.

~~2.4~~ 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*.

(1) **Meaning of "*Annual Information Form*"** - *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *Continuous Disclosure Obligations*. Therefore, as set out in that definition, an *annual information form* can be a completed Form 51-102F2 *Annual Information Form* or, in the case of an *SEC* issuer (as defined in NI 51-102), a completed Form 51-102F2 or an annual report or transition report under the *1934 Act* on Form 10-K, Form 10-KSB or Form 20-F.

(2) **Option to Set Out Information in *Annual Information Form*** - Form 51-102F2 *Annual Information Form* requires the information required by section 2.1 of *NI 51-101* to be included in the *annual information form*. That information may be included either by setting out the text of the information in the *annual information form* 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. However, a *reporting issuer* that elects to follow this approach ~~continues to be subject to the requirement to~~**must** file, at the same time and on *SEDAR*, in the appropriate *SEDAR* category, ~~the~~**a** notice in accordance with *Form 51-101F4* (see **sub**section ~~2.2~~**2.3(2)** of *NI 51-101)*. This notification 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~~ 2.5 *Reporting Issuer* ~~That Has~~With No *Reserves*

The requirement to make annual *NI 51-101* filings is not limited to only those issuers that have *reserves* and related *future net revenue*. A *reporting issuer* with no *reserves* but with *prospects*, unproved *properties* or *resources* may be engaged in *oil and gas activities* (see section 1.3 above) and therefore subject to *NI 51-101*. That means the issuer must still make annual *NI 51-101* filings and ensure that it complies with other *NI 51-101* requirements. The following is guidance on the preparation of *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* and other *oil* and *gas* disclosure if the *reporting issuer* has no *reserves*.

~~(1)~~ **(1)** ***Form 51-101F1*** - Section 1.4 of *NI 51-101* states that the *Instrument* applies only in respect of information that is material in respect of a *reporting issuer*. If indeed the *reporting issuer* has no *reserves*, we would consider that fact alone material. The *reporting issuer's* disclosure, under Part 2 of *Form 51-101F1*, should make clear that it has no *reserves* and hence no related *future net revenue*.

Supporting information regarding *reserves data* required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the issuer had disclosed *reserves* and related *future net revenue* in the previous year, and has no *reserves* as at the end of its current financial year, the *reporting issuer* is still required to present a reconciliation to the prior-year's estimates of *reserves*, as required by Part 4 of *Form 51-101F1*.

The *reporting issuer* is also required to disclose information required under Part 6 of *Form 51-101F1*. Those requirements apply irrespective of the quantum of *reserves*, if any. This would include information about *properties* (items 6.1 and 6.2), costs (item 6.6), and exploration and development activities (item 6.7). The disclosure should make clear that the issuer had no *production*, as that fact would be material.

~~(2)~~ **(2)** ***Form 51-101F2*** - *NI 51-101* requires *reporting issuers* to retain an *independent qualified reserves evaluator or auditor* to evaluate or audit the company's *reserves data* and report to the board of directors. If the *reporting issuer* had no *reserves* during the year and hence did not retain an evaluator or auditor, then it would not need to retain one just to file a (nil) report of the *independent* evaluators on the *reserves data* in the form of *Form 51-101F2* and the *reporting issuer* would therefore not be required to file a *Form 51-101F2*. If, however, the issuer did retain an evaluator or auditor to evaluate *reserves*, and the evaluator or auditor concluded that they could not be so categorized, or reclassified those *reserves* to *resources*, the issuer would have to file a report of the *qualified reserves evaluator* because the evaluator has, in fact, evaluated the *reserves* and expressed an opinion.

~~(3)~~ **(3)** ***Form 51-101F3*** - Irrespective of whether the *reporting issuer* has *reserves*, the requirement to file a report of management and directors in the form of *Form 51-101F3* applies.

~~(4)~~ **(4)** **Other *NI 51-101* Requirements** - *NI 51-101* does not require *reporting issuers* to disclose *anticipated results* from their *resources*. However, if a *reporting issuer* chooses to disclose that type of information, section 5.9 of *NI 51-101* applies to that disclosure.

~~2.6~~ 2.6 *Reservation* 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. The *CSA* recommend that *qualified reserves evaluators or auditors* follow the procedures and guidance set out in both sections 4 and 12 of volume 1 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.

~~2.7~~ 2.7 Disclosure in *Form 51-101F1*

~~(1)~~ **(1) 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*.

Form 51-101F1 requires that certain *reserves data* be provided on both a "*gross*" and "*net*" basis, the latter being adjusted for both royalty entitlements and royalty obligations. However, if a royalty is granted by a trust's subsidiary to the trust, this would not affect the computation of "*net reserves*". The typical *oil* and *gas* income trust structure involves the grant of a royalty by an operating subsidiary of the trust to the trust itself, the royalty being the source of the distributions to trust investors. In this case, the royalty is wholly within the combined or consolidated trust entity (the trust and its operating subsidiary). This is not the type of external entitlement or obligation for which adjustment is made in determining, for example, "*net reserves*". Viewing the trust and its consolidated entities together, the relevant *reserves* and other *oil* and *gas* information is that of the operating subsidiary without deduction of the internal royalty to the trust.

~~(2)~~ **(2) 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.

~~(3)~~ **(3) Computation of *Future Net Revenue***

~~(a)~~ **(a) Tax**

Form 51-101F1 requires *future net revenue* to be estimated and disclosed both before and after deduction of income taxes. However, a *reporting issuer* may not be subject to income taxes because of its royalty or income trust structure. In this instance, the issuer should use the tax rate that most appropriately reflects the income tax it reasonably expects to pay on the *future net revenue*. If the issuer is not subject to income tax because of its royalty trust structure, then the most appropriate income tax rate would be zero. In this case, the issuer could present the estimates of *future net revenue* in only one column and explain, in a note to the table, why the estimates of before-tax and after-tax *future net revenue* are the same.

Also, tax pools should be taken into account when computing *future net revenue* after income taxes. The definition of "future income tax expense" is set out in the NI 51-101 Glossary. Essentially, *future income tax expenses* represent estimated cash income taxes payable on the *reporting issuer's* future pre-tax cash flows. These cash income taxes payable should be computed by applying the appropriate year-end statutory tax rates, taking into account future tax rates already legislated, to future pre-tax *net* cash flows reduced by appropriate deductions of estimated unclaimed costs and losses carried forward for tax purposes and relating to *oil and gas activities* (i.e., tax pools). Such tax pools may include Canadian *oil* and *gas property* expense (COGPE), Canadian development expense (CDE), Canadian exploration expense (CEE), undepreciated capital cost (UCC) and unused prior year's tax losses. (Issuers should be aware of limitations on the use of certain tax pools resulting from acquisitions of *properties* in situations where provisions of the Income Tax Act concerning successor corporations apply.)

~~(b)~~ **(b) Other Fiscal Regimes**

Other fiscal regimes, such as those involving *production* sharing contracts, should be adequately explained with appropriate allocations made to various classes of proved *reserves* and to *probable reserves*.

~~(4)~~ **~~Supplemental~~(4) Supplementary Disclosure of *Future Net Revenue*** ~~In addition to requiring the disclosure of *future net revenue* using *forecast prices and costs, Form 51-101*~~ **Using Constant Prices and Costs – *Form 51-101F1*** gives *reporting issuers* the option of disclosing *future net revenue* ~~based on prices and costs determined in accordance with the relevant *US oil and gas disclosure requirements*,~~ **together with associated estimates of *reserves* or *resources* other than *reserves*, determined using constant prices and costs**. ~~In general, these~~**Constant** 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).

~~(5)~~ **(5) repealed.**

~~(6)~~ **(6) *Reserves* Reconciliation**

~~(a)~~ **(a)** If the *reporting issuer* reports *reserves*, but had no *reserves* at the start of the reconciliation period, a reconciliation of *reserves* must be carried out if any *reserves* added during the previous year are material. Such a reconciliation will have an opening balance of zero.

~~(b)~~ **(b)** The reserves reconciliation is prepared on a *gross reserves*, not *net reserves*, basis. For some *reporting issuers* with significant royalty interests, such as royalty trusts, the *net reserves* may exceed the *gross reserves*. In order to provide adequate disclosure given the distinctive nature of its business, the *reporting issuer* may also disclose its *reserves* reconciliation on a *net reserves* basis. The issuer is not precluded from providing this additional information with its disclosure prescribed in *Form 51-101F1* provided that the *net reserves* basis for the reconciliation is clearly identified in the additional disclosure to avoid confusion.

~~(c)~~ **(c)** Clause 2(c)(ii) of item 4.1 of *Form 51-101F1* requires reconciliations of *reserves* to separately identify and explain technical revisions. Technical revisions show changes in existing *reserves* estimates, in respect of carried-forward *properties*, over the period of the reconciliation (i.e., between estimates as at the *effective date* and the prior year's estimate) and are the result of new technical information, not the result of capital expenditure. With respect to making technical revisions, the following should be noted:

- Infill Drilling: It would not be acceptable to include infill drilling results as a technical revision. *Reserves* additions derived from infill drilling during the year are not attributable to revisions to the previous year's *reserves* estimates. Infill drilling *reserves* must either be included in the "extensions and improved recovery" category or in an additional stand-alone category in the reserves reconciliation labelled "infill drilling".

- Acquisitions: If an acquisition is made during the year, (i.e., in the period between the *effective date* and the prior year's estimate), the *reserves* estimate to be used in the reconciliation is the estimate of *reserves* at the *effective date*, not at the acquisition date, plus any *production* since the acquisition date. This *production* must be included as *production* in the reconciliation. If there has been a change in the *reserves* estimate between the acquisition date and the *effective date* other than that due to *production*, the issuer may wish to explain this as part of the reconciliation in a footnote to the reconciliation table.

~~(7)~~ **(7) Significant Factors or Uncertainties** - Item 5.2 of *Form 51-101F1* requires an issuer to identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data*.

For example, if events subsequent to the *effective date* have resulted in significant changes in expected future prices, such that the forecast prices reflected in the *reserves data* differ materially from those that would be considered to be a reasonable outlook on the future around the date of the company's "statement of *reserves data* and other information", then the issuer's statement might include, pursuant to item 5.2, a discussion of that change and its effect on the disclosed *future net revenue* estimates. It may be misleading to omit this information.

~~(8)~~ **(8) Additional Information** - As discussed in section 2.3 above and in the instructions to *Form 51-101F1*, *NI 51-101* offers flexibility in the use of the prescribed forms and the presentation of required information.

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

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.

~~(9)~~ **(9)** **Sample *Reserves Data* Disclosure** - Appendix 1 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 CSA encourages *reporting issuers* to use the format presented in Appendix 1.

The sample presentation in Appendix 1 also illustrates how certain additional information not mandated under *Form 51-101F1* might be incorporated in an annual filing.

~~2.8~~ 2.8 *Form 51-101F2*

~~(1)~~ **(1)** **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*.

In the rare case, if any, in which there are compelling reasons for making such disclosure (e.g., a prohibition on disclosure to external parties), 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.

~~(2)~~ **(2)** **Variations in Estimates** – The report prescribed by *Form 51-101F2* contains statements to the effect that variations between *reserves data* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.

Reserves estimates are made at a point in time, being the *effective date*. A reconciliation of a *reserves* estimate to actual results is likely to show variations and the variations may be material. This variation may arise from factors such as exploration discoveries, acquisitions, divestments and economic factors that were not considered in the initial *reserves* estimate. Variations that occur with respect to *properties* that were included in both the *reserves* estimate and the actual results may be due to technical or economic factors. Any variations arising due to technical factors must be consistent with the fact that *reserves* are categorized according to the probability of their recovery. For example, the requirement that reported *proved reserves* "must have at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated *proved reserves*" (section 5 of volume 1 of the *COGE Handbook*) implies that as more technical data becomes available, a positive, or upward, revision is significantly more likely than a negative, or downward, revision. Similarly, it should be equally likely that revisions to an estimate of *proved* plus *probable reserves* will be positive or negative.

Reporting issuers must assess the magnitude of such variation according to their own circumstances. A *reporting issuer* with a limited number of *properties* is more likely to be affected by a change in one of these *properties* than a *reporting issuer* with a greater number of *properties*. Consequently, *reporting issuers* with few *properties* are more likely to show larger variations, both positive and negative, than those with many *properties*.

Variations may result from factors that cannot be reasonably anticipated, such as the fall in the price of *bitumen* at the end of 2004 that resulted in significant negative revisions in *proved reserves*, or the unanticipated activities of a foreign government. If such variations occur, the reasons will usually be obvious. However, the assignment of a *proved reserve*, for instance, should reflect a degree of confidence in all of the relevant factors, at the *effective date*, such that the likelihood of a negative revision is low, especially for a

reporting issuer with many properties. Examples of some of the factors that could have been reasonably anticipated, that have led to negative revisions of *proved* or of *proved* plus *probable reserves* are:

- Over-optimistic activity plans, for instance, booking reserves for *proved* or *probable undeveloped reserves* that have no reasonable likelihood of being drilled.
- *Reserves* estimates that are based on a forecast of *production* that is inconsistent with historic performance, without solid technical justification.
- Assignment of drainage areas that are larger than can be reasonably expected.
- The use of inappropriate analogs.

~~(3)~~ **(3)** ***Effective date* of *Evaluation*** - A *qualified reserves evaluator or auditor* cannot prepare an *evaluation* using information that relates to events that occurred after the *effective date*, being the financial year-end. Information that relates to events that occurred after the year-end should not be incorporated into the forecasts. For example, information about drilling results from wells drilled in January or February, or changes in *production* that occurred after year-end date of December 31, should not be used. Even though this more recent information is available, the evaluator or auditor should not go back and change the forecast information. The forecast is to be based on the evaluator's or auditor's perception of the future as of December 31, the *effective date* of the report.

Similarly, the evaluator or auditor should not use price forecasts for a date subsequent to the year-end date of, in this example, December 31. The evaluator or auditor should use the prices that he or she forecasted on or around December 31. The evaluator or auditor should also use the December forecasts for exchange rates and inflation. Revisions to price, exchange rate or inflation rate forecasts after December 31 would have resulted from events that occurred after December 31.

2.9 Chief Executive Officer

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

2.10 *Reporting Issuer* Not a Corporation

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

~~PART 3~~ PART 3 RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

~~3.1~~ 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~~ 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~~ PART 4 MEASUREMENT

~~4.1~~ 4.1 Consistency in Dates

Section 4.2 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 and 12 of volume 1 of the *COGE Handbook* set out procedures and guidance for the conduct of *reserves evaluations* and *reserves audits*, respectively. Section 12 deals with the relationship between a *reserves* auditor and the client's financial auditor. Section 4, 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 and 12 of volume 1 of the *COGE Handbook*, whether conducting a *reserves evaluation* or a *reserves* audit.

~~PART 5~~ PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

~~5.1~~ 5.1 Application of Part 5

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. For example, if material distributed at a company presentation refers to *BOEs*, the material should include, near the reference to *BOEs*, the cautionary statement required by paragraph 5.14(d) of *NI 51-101*.

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~~ 5.2 Disclosure of *Reserves* and Other Information

~~(1)~~ **(1) General** - A *reporting issuer* must comply with the requirements of section 5.2 in its disclosure, to the public, of *reserves* estimates and other information of a type specified in *Form 51-101F1*. This would include, for example, disclosure of such information in a news release.

~~(2)~~ **(2) *Reserves*** - *NI 51-101* does not prescribe any particular methods of estimation but it does require that a *reserve* estimate be prepared in accordance with the *COGE Handbook*. For example, section 5 of volume 1 of the *COGE Handbook* specifies that, in respect of an issuer's reported proved *reserves*, 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*.

Additional guidance on particular topics is provided below.

~~(3)~~ **(3)** ***Possible Reserves*** - A *possible reserves* estimate - either alone or as part of a sum - is often a relatively large number that, by definition, has a low probability of actually being produced. For this reason, the cautionary language prescribed in subparagraph 5.2(a)(v) of *NI 51-101* must accompany the written disclosure of a *possible reserves* estimate.

~~(4)~~ **(4)** **Probabilistic and Deterministic *Evaluation* Methods** - Section 5 of volume 1 of the *COGE Handbook* states that "In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods".

When deterministic methods are used, in the absence of a "mathematically derived quantitative measure of probability", the classification of *reserves* is based on professional judgment as to the quantitative measure of certainty attained.

When probabilistic methods are used in conjunction with good engineering and geological practice, they will provide more statistical information than the conventional deterministic method. The following are a few critical criteria that an evaluator must satisfy when applying probabilistic methods:

- The evaluator must still estimate the *reserves* applying the definitions and using the guidelines set out in the *COGE Handbook*.
- Entity level probabilistic *reserves* estimates should be aggregated arithmetically to provide reported level *reserves*.
- If the evaluator also prepares aggregate *reserves* estimates using probabilistic methods, the evaluator should explain in the *evaluation* report the method used. In particular, the evaluator should specify what confidence levels were used at the entity, *property*, and reported (i.e., total) levels for each of *proved*, *proved* + *probable* and *proved* + *probable* + *possible* (if reported) *reserves*.
- If the *reporting issuer* discloses the aggregate *reserves* that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the *reserves* definitions used for estimating the *reserves*, about the method that the evaluator used, and the underlying confidence levels that the evaluator applied.

~~(5)~~ **(5)** **Availability of Funding** - In assigning *reserves* to an undeveloped *property*, the *reporting issuer* is not required to have the funding available to develop the *reserves*, since they may be developed by means other than the expenditure of the *reporting issuer's* funds (for example by a farm-out or sale). *Reserves* must be estimated assuming that development of the *properties* will occur without regard to the likely availability of funding required for that *property*. The *reporting issuer's* evaluator is not required to consider whether the *reporting issuer* will have the capital necessary to develop the *reserves*. (See section 7 of *COGE Handbook* and subparagraph 5.2(a)(iv) of *NI 51-101*.)

However, item 5.3 of *Form 51-101F1* requires a *reporting issuer* to discuss its expectations as to the sources and costs of funding for estimated future *development costs* ~~as a part of its annual disclosure~~. If the issuer expects that the costs of funding would make development of a *property* unlikely, then even if *reserves* were assigned, it must also discuss that expectation and its plans for the *property*.

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

~~(6)~~ **(6)** ***Proved* or *Probable Undeveloped Reserves*** - *Proved* or *probable undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the *proved* or *probable undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the *proved* or *probable undeveloped reserves* are not disclosed to the public, then those who have a special relationship with the issuer and know about the existence of these *reserves* would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has a prospectus, the

prospectus might not contain full, true and plain disclosure of all *material* facts if it does not contain information about these *proved* or *probable undeveloped reserves*.

~~(7)~~ **(7) Mechanical Updates** - So-called "mechanical updates" of *reserves* reports are sometimes created, often by rerunning previous *evaluations* with a new price deck. This is problematic since there may have been material changes other than price that may lead to the report being misleading. If a *reporting issuer* discloses the results of the mechanical update it should ensure that all relevant material changes are also disclosed to ensure that the information is not misleading.

~~5.3~~ 5.3 Classification of *Reserves* and of *Resources* Other than *Reserves*

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

~~In addition, *reserves* can be estimated using three subcategories, namely~~***Reserves* can be characterized as** *proved*, *probable* or *possible reserves*, according to the probability that such quantities will actually be produced. As described in the *COGE Handbook*, *proved*, *probable* and *possible reserves* represent conservative, realistic and optimistic estimates of *reserves*, respectively. Therefore, any disclosure of *reserves* must ~~be broken down into one of the three subcategories of *reserves*, namely~~**indicate whether they are** *proved*, *probable* or *possible reserves*.

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

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

~~5.4~~ 5.4 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 *Form 51-101F1*~~;~~**, or** making direct or indirect reference to the conclusions of that report in the filed *Form 51-101F1* and *Form 51-101F3*~~; and identifying the report in the news release referred to in 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.

~~5.5~~ 5.5 Disclosure of *Resources* Other than *Reserves*

~~(1)~~ **(1) Disclosure of *Resources* Generally** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 51-101*, except that a *reporting issuer* must make disclosure concerning its unproved *properties* and *resource* activities in its annual filings as described in Part 6 of *Form 51-101F1*. Additional disclosure beyond this is voluntary and must comply with section 5.9 of *NI 51-101* if *anticipated results* from the *resources* other than *reserves* are voluntarily disclosed.

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

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

[4] For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0)) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora,

~~(2)~~ **(2)** **Disclosure of *Anticipated Results* under Subsection 5.9(1) of *NI 51-101*** - If a *reporting issuer* voluntarily discloses *anticipated results* from *resources* that are not classified as *reserves*, it must disclose certain basic information concerning the *resources*, which is set out in subsection 5.9(1) of *NI 51-101*. Additional disclosure requirements arise if the *anticipated results* disclosed by the issuer include an estimate of a *resource* quantity or associated value, as set out below in subsection 5.5(3).

If a *reporting issuer* discloses *anticipated results* relating to numerous aggregated *properties, prospects* or *resources*, the issuer may, depending on the circumstances, satisfy the requirements of subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The *reporting issuer* must ensure that its disclosure is reasonable, meaningful and at a level appropriate to its size. For a *reporting issuer* with only few *properties*, it may be appropriate to make the disclosure for each *property*. Such disclosure may be unreasonably onerous for a *reporting issuer* with many *properties*, and it may be more appropriate to summarize the information by major areas or for major projects. However, ~~if a *reporting issuer* discloses an aggregate *resource* estimate (or associated value) referred to in subsection 5.9(2) of *NI 51-101*, the issuer must ensure that any aggregation of *properties* occurs within the most specific category of *resource* classification as required by paragraph 5.9(2)(b). A *reporting issuer* must not disclose an estimate reflecting a summation of different categories of *resources* (see section 5.16 of *NI 51-101*).~~ **the convenience of aggregating *properties* will not justify disclosure of *resources* in a category or subcategory less specific than would otherwise be possible, and required to be disclosed by subsection 5.3(1) of *NI 51-101*.**

In respect of the requirement to disclose the risk and level of uncertainty associated with the *anticipated result* under paragraph 5.9(1)(d) of *NI 51-101*, risk and uncertainty are related concepts. Section 9 of volume 1 of the *COGE Handbook* provides the following definition of risk:

> "Risk refers to a likelihood of loss and … It is less appropriate to *reserves* evaluation because economic viability is a prerequisite for defining *reserves*."

The concept of risk may have some limited relevance in disclosure related to *reserves*, for instance, for incremental *reserves* that depend on the installation of a compressor, the likelihood that the compressor will be installed. Risk is often relevant to the disclosure of *resource* categories other than *reserves*, in particular the likelihood that an exploration well will, or will not, be successful.

Section 9 of volume 1 of the *COGE Handbook* provides the following definition of uncertainty:

> "Uncertainty is used to describe the range of possible outcomes of a *reserves* estimate."

However, the concept of uncertainty is generally applicable to any estimate, including not only *reserves*, but also to all other categories of *resource*.

In satisfying the requirement of paragraph 5.9(1)(d) of *NI 51-101,* a *reporting issuer* should ensure that their disclosure includes the risks and uncertainties that are appropriate and meaningful for their activities. This may be expressed quantitatively as probabilities or qualitatively by appropriate description. If the *reporting issuer* chooses to express the risks and level of uncertainty qualitatively, the disclosure must be meaningful and not in the nature of a general disclaimer.

If the *reporting issuer* discloses the estimated value of an *unproved property* other than a value attributable to an estimated *resource* quantity, then the issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e). This type of value is typically based on petroleum land management practices that consider activities and land prices in nearby areas. If done *independently*, it would be done by a valuator with petroleum land management expertise who would generally be a member of a *professional organization* such as the Canadian Association of Petroleum Landmen. This is distinguishable from the determination of a value attributable to an estimated *resource* quantity, as contemplated in subsection 5.9(2). This latter type of value estimate must be prepared by a *qualified reserves evaluator or auditor*.

The calculation of an estimated value described in paragraph 5.9(1)(e) may be based on one or more of the following factors:

- the acquisition cost of the *unproved property* to the *reporting issuer*, provided there have been no material changes in the *unproved property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;

Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1)

- recent sales by others of interests in the same *unproved property*;
- terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *unproved property*;
- terms and conditions, expressed in monetary terms, of recent work commitments related to the *unproved property*;
- recent sales of similar *properties* in the same general area;
- recent exploration and discovery activity in the general area;
- the remaining term of the *unproved property*; or
- burdens (such as overriding royalties) that impact on the value of the *property*.

The *reporting issuer* must disclose the basis of the calculation of the value of the *unproved property*, which may include one or more of the above-noted factors.

The *reporting issuer* must also disclose whether the value was prepared by an *independent* party. In circumstances in which paragraph 5.9(1)(e) applies and where the value is prepared by an *independent* party, 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.

~~(3)~~ **(3) Disclosure of an Estimate of Quantity or Associated Value of a *Resource* under Subsection 5.9(2) of *NI 51-101***

~~(a)~~ **(a) Overview of Subsection 5.9(2) of *NI 51-101***

Pursuant to subsection 5.9(2) of *NI 51-101*, if a *reporting issuer* discloses an estimate of a *resource* quantity or an associated value, the estimate must have been prepared by a *qualified reserves evaluator or auditor*. If a *reporting issuer* obtains or carries out an evaluation of *resources* and wishes to file or disseminate a report in a format comparable to that prescribed in *Form 51-101F2*, it may do so. However, the title of such a form must not contain the term "*Form 51-101 F2*" as this form is specific to the evaluation of *reserves data*. *Reporting issuers* must modify the report on *resources* to reflect that *reserves data* is not being reported. A heading such as "Report on *Resource* Estimate by *Independent Qualified Reserves Evaluator or Auditor*" may be appropriate. Although such an evaluation is required to be carried out by a *qualified reserves evaluator or auditor*, there is no requirement that it be *independent*. If an *independent* party does not prepare the report, *reporting issuers* should consider amending the title or content of the report to make it clear that the report has not been prepared by an *independent* party and the *resource* estimate is not an independent *resource* estimate.

The *COGE Handbook* recommends the use of probabilistic *evaluation* methods for making *resource* estimates, and although it does not provide detailed guidance there is a considerable amount of technical literature on the subject.

~~In addition, pursuant~~**Pursuant** to section 5.3~~ and paragraph 5.9(2)(b)~~ of *NI 51-101*, the *reporting issuer* must ensure that the estimated *resource* relates to the most specific category of *resources* in which the *resource* can be classified. As discussed above in subsection 5.5(2) of this Companion Policy, if a *reporting issuer* wishes to disclose an aggregate *resource* estimate which involves the aggregation of numerous *properties, prospects* or *resources*, it must ensure that the disclosure does not result in a contravention of the requirement in ~~paragraph 5.9(2)(b~~**subsection 5.3(1**) of *NI 51-101*.

Subsection 5.9(2) requires the *reporting issuer* to disclose certain information in addition to that prescribed in subsection 5.9(1) of *NI 51-101* to assist recipients of the disclosure in understanding the nature of risks associated with the estimate. This information includes a definition of the *resource* category used for the estimate, disclosure of factors relevant to the estimate and cautionary language.

~~(b)~~ **(b) Definitions of *Resource* Categories**

For the purpose of complying with the requirement of defining the *resource* category, the *reporting issuer* must ensure that disclosure of the definition is consistent with the *resource* categories and terminology set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the NI 51-101 Glossary identify and define the various *resource* categories.

A *reporting issuer* may wish to report *reserves* or *resources* other than *reserves* ~~of oil or gas~~ as "in-place volumes". By definition, *reserves* of any type, *contingent resources* and *prospective resources* are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being "in-place". Terms such as "potential *reserves*", "undiscovered *reserves*", "*reserves* in place", "in-place *reserves*" or similar terms must not be used because they are incorrect and misleading. The disclosure of *reserves* or of *resources* other than *reserves* must be consistent with the terminology and categories set out in the *COGE Handbook*, pursuant to section 5.3 of *NI 51-101*.

~~The~~**In addition to disclosing the most specific category of *resource*, the** *reporting issuer* ~~can report other categories of *resources*, such as~~**may disclose *total petroleum initially-in-place*,** *discovered petroleum initially-in-place*~~,~~ **or** *undiscovered petroleum initially-in-place* ~~and *total petroleum initially-in-place*. However,~~**estimates provided that** the additional disclosure required by **sub**section 5.16**(3)** of *NI 51-101* ~~must also be~~**is** included.

~~(c)~~ **(c) Application of Subsection 5.9(2) of *NI 51-101***

If the *reporting issuer* discloses an estimate of a *resource* quantity or associated value, the *reporting issuer* must additionally disclose the following:

~~(i)~~ **(i)** a definition of the *resource* category used for the estimate;

~~(ii)~~ **(ii)** the *effective date* of the estimate;

~~(iii)~~ **(iii)** significant positive and negative factors relevant to the estimate;

~~(iv)~~ **(iv)** the contingencies which prevent the classification of a contingent *resource* as a *reserve*; and

~~(v)~~ **(v)** cautionary language as prescribed by subparagraph 5.9(2)(~~c~~**d**)(v) of *NI 51-101*.

The *resource* estimate may be disclosed as a single quantity such as a median or mean, representing the best estimate. Frequently, however, the estimate consists of three values that reflect a range of reasonable likelihoods (the low value reflecting a conservative estimate, the middle value being the best estimate, and the high value being an optimistic estimate).

Guidance concerning defining the *resource* category is provided above in section 5.3 and paragraph 5.5(3)(b) of this Companion Policy.

Reporting issuers are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(~~c~~**d**)(iii). For example, if there is no infrastructure in the region to transport the resource, this may constitute a significant negative factor relevant to the estimate. Other examples would include a significant lease expiry or any legal, capital, political, technological, business or other factor that is highly relevant to the estimate. To the extent that the *reporting issuer* discloses an estimate for numerous properties that are aggregated, it may disclose significant positive and negative factors relevant to the aggregate estimate, unless discussion of a particular material *resource* or *property* is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(~~c~~**d**)(v) includes a prescribed disclosure that there is no certainty that it will be commercially viable to produce any portion of the resources. The concept of commercial viability would incorporate the meaning of the word "commercial" provided in the NI 51-101 Glossary.

The general disclosure requirements of paragraph 5.9(2)(~~c~~**d**) of *NI 51-101* may be illustrated by an example. If a *reporting issuer* discloses, for example, an estimate of a volume of its *bitumen* which is a *contingent resource* to the issuer, the disclosure would include information of the following nature:

> The *reporting issuer* holds a [●] interest in [provide description and location of interest]. As of [●] date, it estimates that, in respect of this interest, it has [●] bbls of *bitumen*, which would be classified as a *contingent resource*. A *contingent resource* is defined as [cite current definition in the *COGE Handbook*]. There is no certainty that it will be commercially viable to produce any portion of the *resource*. The contingencies which currently prevent the classification of the *resource* as a *reserve* are [state specific capital costs required to render *production* economic, applicable regulatory considerations, pricing, specific supply costs, technological considerations, and/or other relevant factors]. A significant factor relevant to the estimate is [e.g.] an existing legal dispute concerning title to the interest.

To the extent that this information is provided in a previously filed document, and it relates to the same interest in *resources*, the issuer can omit disclosure of significant positive and negative factors relevant to the estimate and the contingencies which prevent the classification of the *resource* as a *reserve*. However, the issuer must make reference in the current disclosure to the title and date of the previously filed document.

~~5.6~~ 5.6 *Analogous Information*

A *reporting issuer* may wish to base an estimate on, or include comparative *analogous information* for their area of interest, such as *reserves*, *resources*, and *production*, from *fields* or wells, in nearby or geologically similar areas. Particular care must be taken in using and presenting this type of information. Using only the best wells or *fields* in an area, or ignoring dry holes, for instance, may be particularly misleading. It is important to present a factual and balanced view of the information being provided.

The *reporting issuer* must comply with the disclosure requirements of section 5.10 of *NI 51-101*, when it discloses *analogous information*, as that term is broadly defined in *NI 51-101*, for an area which includes an area of the *reporting issuer's* area of interest. Pursuant to subsection 5.10(2) of *NI 51-101*, if the issuer discloses an estimate of its own *reserves* or *resources* based on an extrapolation from the *analogous information*, or if the *analogous information* itself is an estimate of its own *reserves* or *resources*, the issuer must ensure the estimate is prepared in accordance with the *COGE Handbook* and disclosed in accordance with *NI 51-101* generally. For example, in respect of a *reserves* estimate, the estimate must be classified and prepared in accordance with the *COGE Handbook* by a *qualified reserves evaluator or auditor* and must otherwise comply with the requirements of section 5.2 of *NI 51-101*.

~~5.7~~ 5.7 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. Issuers should refer to Appendices B and C of volume 1 of the *COGE Handbook* for the proper reporting of units of measurement.

In all cases, in accordance with subparagraph 5.2(a)(iii) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant terminology and unit prefixes set out in the *COGE Handbook***.**

~~5.8~~ 5.8 *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.

~~5.9~~ 5.9 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*.

5.9.1 Summation of Resource Categories

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

~~5.10~~ 5.10 Prospectus Disclosure

In addition to the general disclosure requirements in *NI 51-101* which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

~~(1)~~ **(1)** **Significant Acquisitions** - To the extent that an issuer engaged in *oil and gas activities* discloses a significant acquisition in its prospectus, it must disclose sufficient information for a reader to determine how the acquisition affected the *reserves data* and other information previously disclosed in the issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 51-101* with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions.

~~(2)~~ **(2)** **Disclosure of *Resources*** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is generally not mandatory under *NI 51-101*, except for certain disclosure concerning the issuer's unproved *properties* and *resource* activities as described in Part 6 of *Form 51-101F1*, which information would be incorporated into the prospectus. Additional disclosure beyond this is voluntary and must comply with sections ~~5.9~~**5.9, 5.10** and ~~5.10~~**5.16** of *NI 51-101*, as applicable. However, the general securities disclosure obligation of "full, true~~,~~ and plain" disclosure of all *material* facts in a prospectus would require the disclosure of *resources* that are *material* to the issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.

~~(3)~~ **(3)** ***Proved* or *Probable Undeveloped reserves*** - Further to the guidance provided in subsection 5.2(4) of this Companion Policy, *proved* or *probable undeveloped reserves* must be reported in the year in which they are recognized. If the *reporting issuer* does not disclose the *proved* or *probable undeveloped reserves* just because it has not yet spent the capital to develop these *reserves*, it may be omitting *material* information, thereby causing the *reserves* disclosure to be misleading. If the issuer has a prospectus, the prospectus might not contain full, true and plain disclosure of all *material* facts if it does not contain information about these *proved undeveloped reserves*.

~~(4)~~ **(4)** ***Reserves* Reconciliation in an Initial Public Offering** - In an initial public offering, if the issuer does not have a *reserves* report as at its prior year-end, or if this report does not provide the information required to carry out a *reserves* reconciliation pursuant to item 4.1 of *Form 51-101F1*, the *CSA* may consider granting relief from the requirement to provide the *reserves* reconciliation. A condition of the relief may include a description in the prospectus of relevant changes in any of the categories of the *reserves* reconciliation.

~~(5)~~ **(5)** **Relief to Provide More Recent *Form 51-101F1* Information in a Prospectus** - If an issuer is filing a preliminary prospectus and wishes to disclose *reserves data* and other *oil* and *gas* information as at a more recent date than its applicable year-end date, the *CSA* may consider relieving the issuer of the requirement to disclose the *reserves data* and other information as at year-end.

An issuer may determine that its obligation to provide full, true and plain disclosure obliges it to include in its prospectus *reserves data* and other *oil* and *gas* information as at a date more recent than specified in the prospectus requirements. The prospectus requirements state that the information must be as at the issuer's most recent financial year-end in respect of which the prospectus includes financial statements. The prospectus requirements, while certainly not presenting an obstacle to such more current disclosure, would nonetheless require that the corresponding information also be provided as at that financial year-end.

We would consider granting relief on a case-by-case basis to permit an issuer in these circumstances to include in its prospectus the *oil* and *gas* information prepared with an *effective date* more recent than the financial year-end date, without also including the corresponding information effective as at the year-end date. A consideration for granting this relief may include disclosure of *Form 51-101F1* information with an *effective date* that coincides with the date of interim financial statements. The issuer should request such relief in the covering letter accompanying its preliminary prospectus. The grant of the relief would be evidenced by the prospectus receipt.

~~PART 6~~ PART 6 MATERIAL CHANGE DISCLOSURE

~~6.1~~ 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 the material change has affected the issuer's *reserves data* and other information contained in its filed disclosure. This would not necessarily require that an *evaluation* be carried out. However, the *reporting issuer* should ensure it complies with the general disclosure requirements set out in Part 5, as applicable. For example, if the material change report discloses an updated *reserves* estimate, this should be prepared in accordance with the *COGE Handbook* and by a *qualified reserves evaluator or auditor*.

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.

APPENDIX 1
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* do not mandate the format of the disclosure of *reserves data* and related information by *reporting issuers*. However, the CSA encourages *reporting issuers* to use the format presented in this Appendix.

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 1.4, 2.2 and 2.3 and subsections 2.7(~~7~~**8**) and 2.7(~~8~~**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*.

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
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL ~~SUPPLEMENTAL~~SUPPLEMENTARY DISCLOSURE]

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS[2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
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) Other product types must be added if material.
(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii)coal bed methane.

OPTIONAL
~~SUPPLEMENTAL~~**SUPPLEMENTARY**

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL ~~SUPPLEMENTAL~~SUPPLEMENTARY DISCLOSURE]

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

OPTIONAL
~~SUPPLEMENTAL~~**SUPPLEMENTARY**

Reference: Item 2.2 of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL ~~SUPPLEMENTAL~~SUPPLEMENTARY DISCLOSURE]

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOP-MENT COSTS (M$)	ABANDON-MENT AND RECLAMA-TION 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
~~SUPPLEMENTAL~~**SUPPLEMENTARY**

Reference: Item 2.2 of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL ~~SUPPLEMENTAL~~SUPPLEMENTARY DISCLOSURE]

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
	Non-Conventional Oil and Gas Activities	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
	Non-Conventional Oil and Gas Activities	xxx

OPTIONAL ~~SUPPLEMENTAL~~**SUPPLEMENTARY**

Reference: Item 2.2 of Form 51-101 F1

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006
FORECAST PRICES AND COSTS

	RESERVES[1]							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS [2]		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
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) Other product types must be added if material.
(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii)coal bed methane.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006
FORECAST PRICES AND COSTS

	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	0 (MM$)	5 (MM$)	10 (MM$)	15 (MM$)	20 (MM$)	($/Mcf) ($/bbl)
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

(1) A reporting issuer may wish to satisfy its requirement to disclose these unit values by inserting this disclosure for each category of proved reserves and for probable reserves, by production group, in the chart for item 2.1(3)(c) of *Form 51-101F1* (see sample chart below entitled Future Net Revenue by Production Group).
(2) The unit values are based on net reserve volumes.

Reference: Item 2.1(1) and (2) of *Form 51-101F1*

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOP-MENT COSTS (M$)	ABANDON-MENT AND RECLAMA-TION 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 2.1(3)(b) of *Form 51-101F1*

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)	UNIT VALUE ($/Mcf) ($/bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy Oil (including solution gas and other by-products)	xxx	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx	xxx
	Non-Conventional Oil and Gas Activities	xxx	xxx
	Total	xxx	

Reference: Item 2.1(3)(c) of *Form 51-101F1*

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, 2006
CONSTANT PRICES AND COSTS[1]

Year	OIL[2]				NATURAL GAS[2] AECO Gas Price ($Cdn/MMBtu	NATURAL GAS LIQUIDS FOB Field Gate ($Cdn/bbl)	EXCHANGE RATE[3] ($US/$Cdn)
	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40^0 API ($Cdn/bbl)	Hardisty Heavy 12^0 API ($Cdn/bbl)	Cromer Medium 29.3^0 API ($Cdn/bbl)			
Historical (Year End)							
2003	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx
2006 (Year End)	xx	xx	xx	xx	xx	xx	xx

OPTIONAL ~~SUPPLEMENTAL~~**SUPPLEMENTARY**

(1) This disclosure is triggered by optional ~~supplemental~~**supplementary** disclosure of item 2.2 of *Form 51-101F1*.
(2) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
(3) 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, 2006
FORECAST PRICES AND COSTS

Year	OIL[1]				NATURAL GAS[1] AECO Gas Price ($Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate ($Cdn/bbl)	INFLATION RATES[2] %/Year	EXCHANGE RATE[3] $US/$Cdn
	WTI Cushing Oklahoma $US/bbl	Edmonton Par Price 40^0 API $Cdn/bbl	Hardisty Heavy 12^0 API $Cdn/bbl	Cromer Medium 29.3^0 API $Cdn/bbl				
Historical[4]								
2003	xx	xx	xx	xx	xx	xx	xx	xx
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
Forecast								
2007	xx	xx	xx	xx	xx	xx	xx	xx
2008	xx	xx	xx	xx	xx	xx	xx	xx
2009	xx	xx	xx	xx	xx	xx	xx	xx
2010	xx	xx	xx	xx	xx	xx	xx	xx
2011	xx	xx	xx	xx	xx	xx	xx	xx
There-after	xx	xx	xx	xx	xx	xx	xx	xx

(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 (2006, in this example).

OPTIONAL ~~SUPPLEMENTAL~~**SUPPLEMENTARY**

Reference: Item 3.2 of Form 51-101 F1

RECONCILIATION OF
COMPANY GROSS RESERVES
BY PRODUCT TYPE(1)

FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & 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, 2006	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) The reserves reconciliation must include other product types, including synthetic oil, bitumen, coal bed methane, hydrates, shale oil and shale gas, if material for the reporting issuer.

Reference: Item 4.1 of *Form 51-101F1*

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***[1].

*(2) Unless otherwise specified in this **Form 51-101F1**, information under item 1 of section 2.1 of **NI 51-101** must 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.*

*(7) A **reporting issuer** disclosing financial information in a currency other than the Canadian dollar must clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*

*(8) The **COGE Handbook** provides guidance about reporting using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.*

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

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 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.*

*(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.*

*(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* (*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. Also disclose the same information on a unit

value basis (e.g., $/Mcf or $/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

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* and on a unit value basis for each *production group* (e.g., $/Mcf or $/bbl using *net reserves*), 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 2.2 Supplementary Disclosure (Constant Prices and Costs)

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

INSTRUCTION

For this purpose,

(a) a constant price is,

*(i) if the **reporting issuer** is legally bound to supply the product at a particular price, that price; or*

(ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and

(b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.

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 non-controlling interest, disclose that fact and the approximate portion of such *reserves* attributable to the non-controlling 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 non-controlling interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the non-controlling 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) **repealed.***

PART 3 PRICING ASSUMPTIONS

Item 3.1 Constant Prices Used in Supplementary Estimates

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

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 2.1:

(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.

2. The disclosure in response to section 1 must include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.

3. 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 term "**forecast prices and costs**" includes 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 RECONCILIATION OF CHANGES IN *RESERVES*

Item 4.1 *Reserves* Reconciliation

1. Provide the information specified in section 2 of this Item in respect of the following *reserves* categories:

   (a) *gross proved reserves* (in total);

   (b) *gross probable reserves* (in total); and

   (c) *gross proved* plus *probable reserves* (in total).

2. 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);

      (iv) *synthetic oil*;

      (v) *bitumen*;

      (vi) coal bed methane;

      (vii) hydrates;

      (viii) shale oil; and

      (ix) shale gas;

   (c) separately identifying and explaining:

      (i) extensions and improved recovery;

      (ii) technical revisions;

      (iii) discoveries;

      (iv) acquisitions;

      (v) dispositions;

      (vi) economic factors; and

      (vii) production.

INSTRUCTIONS

*(1) The reconciliation required under this Item 4.1 must be provided in respect of **reserves** estimated using **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.*

*(4) **Reporting issuers** must not include infill drilling **reserves** in the category of technical revisions specified in clause 2(c)(ii). **Reserves** additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").*

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

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 three financial years and, in the aggregate, before that time; and

   (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 three financial years and, in the aggregate, before that time; and

   (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 Affecting *Reserves Data*

1. Identify and discuss significant 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,** 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 *forecast prices and costs*; and

   (ii) *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

(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.

INSTRUCTION

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

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

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves.*

2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

EXAMPLES

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

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

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. 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, *service wells* and *stratigraphic test 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 *gross proved reserves* and *gross probable reserves* disclosed under Item 2.1.

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 *gross* daily *production* volume; 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. Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.*

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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)*~~ ***(1)*** *Terms for which a meaning is given in **NI 51-101** have the same meaning in this **Form 51-101F1***[1].

~~*(2)*~~ ***(2)*** *Unless otherwise specified in this **Form 51-101F1**, information under item 1 of section 2.1 of **NI 51-101** must be provided as at the last day of the **reporting issuer's** most recent financial year or for its financial year then ended.*

~~*(3) The*~~***(3) It is not necessary to include the headings or*** *numbering, ~~headings and~~**or to follow the** ordering of ~~items included~~**Items,** in this **Form 51-101F1** ~~are guidelines only.~~**1.** Information may be provided in tables.*

~~*(4)*~~ ***(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)*~~ ***(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)*~~ ***(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.*

~~*(7)*~~ ***(7)*** *~~If a~~**A reporting issuer** ~~discloses~~disclosing financial information in a currency other than the Canadian dollar~~,~~must clearly~~,~~ and as frequently as is ~~appropriate~~**necessary** to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*

~~*(8) Reporting Issuers should refer to the*~~

(8) The COGE Handbook ~~*for*~~***provides guidance about*** ~~*the proper*~~ *reporting ~~of~~using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.*

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

~~PART 1~~ PART 1 DATE OF STATEMENT

~~Item 1.1~~ Item 1.1 Relevant Dates

~~1.~~ **1.** Date the statement.

~~2.~~ **2.** Disclose the *effective date* of the information being provided.

~~3.~~ **3.** Disclose the *preparation date* of the information being provided.

INSTRUCTIONS

~~(1)~~ ***(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.*

~~(2)~~ ***(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)~~ ***(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.*

~~(4)~~ ***(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)~~ ***(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~~ **PART 2 DISCLOSURE OF *RESERVES DATA***

~~Item 2.1~~ **Item 2.1 *Reserves Data* (*Forecast Prices and Costs*)**

~~1.~~ **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)~~ **(a)** *proved developed producing reserves*;

~~(b)~~ **(b)** *proved developed non-producing reserves*;

~~(c)~~ **(c)** *proved undeveloped reserves*;

~~(d)~~ **(d)** *proved reserves* (in total);

~~(e)~~ **(e)** *probable reserves* (in total);

~~(f)~~ **(f)** *proved* plus *probable reserves* (in total); and

~~(g)~~ **(g)** if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:

~~(i)~~ **(i)** *possible reserves* (in total); and

~~(ii)~~ **(ii)** *proved* plus *probable* plus *possible reserves* (in total).

~~1.~~ **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. Also disclose the same information on a unit value basis (e.g., $/Mcf or $/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

~~2.~~ **3.** Additional Information Concerning *Future Net Revenue* (Forecast Case)

~~(a)~~ **(a)** This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:

~~(i)~~ **(i)** *proved reserves* (in total);

~~(ii)~~ **(ii)** *proved* plus *probable reserves* (in total); and

~~(iii)~~ **(iii)** if paragraph 1(g) of this Item applies, *proved* plus *probable* plus *possible reserves* (in total).

~~(b)~~ **(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)~~ **(i)** revenue;

~~(ii)~~ **(ii)** royalties;

~~(iii)~~ **(iii)** *operating costs*;

~~(iv)~~ **(iv)** *development costs*;

~~(v)~~ **(v)** abandonment and reclamation costs;

~~(vi)~~ **(vi)** *future net revenue* before deducting *future income tax expenses*;

~~(vii)~~ **(vii)** *future income tax expenses*; and

~~(viii)~~ **(viii)** *future net revenue* after deducting *future income tax expenses.*

~~(c)~~ **(c)** Disclose, by *production group* and on a unit value basis for each *production group* (e.g., $/Mcf or $/bbl using *net reserves*), 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 2.2 Supplemental~~Item 2.2 Supplementary Disclosure ~~of *Reserves Data*~~ (Constant Prices and Costs)

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing ~~the components of Item 2.1, using prices and costs determined in a manner consistent with the relevant *US oil and gas disclosure requirements*~~**estimates of *reserves*, *resources* other than *reserves*, or both, together with estimates of associated *future net revenue*, determined using constant prices and costs rather than *forecast prices and costs* for each applicable product type**.

INSTRUCTION

For this purpose,

(a) a constant price is,

(i) if the reporting issuer is legally bound to supply the product at a particular price, that price; or

(ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and

(b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.

~~Item 2.3~~ Item 2.3 *Reserves* Disclosure Varies with Accounting

In determining *reserves* to be disclosed:

~~(a)~~ **(a)** Consolidated Financial Disclosure – if the *reporting issuer* files consolidated financial statements:

~~(i)~~ **(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)~~ **(ii)** if a significant portion of *reserves* referred to in clause (i) is attributable to a consolidated subsidiary in which there is a significant non-controlling interest, disclose that fact and the approximate portion of such *reserves* attributable to the non-controlling interest;

~~(b)~~ **(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)~~ **(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~~ Item 2.4 *Future Net Revenue* Disclosure Varies with Accounting

~~1.~~ **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 non-controlling interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the non-controlling interest.

~~2.~~ **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)~~ ***(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****.*

~~(1)~~ ***(2)*** ***Future net revenue*** *includes the portion attributable to the* ***reporting issuer's*** *interest under an agreement referred to in Instruction (1).*

~~(1)~~ ***(3)*** ***repealed.***

~~PART 3~~ PART 3 PRICING ASSUMPTIONS

~~Item 3.1 Supplemental~~ Item 3.1 Constant Prices Used in Supplementary Estimates

If ~~supplemental~~**supplementary** disclosure under Item 2.2 is made, ~~then~~**the *reporting issuer* must** disclose, for each *product type*, the ~~benchmark reference prices for the countries or regions in which the *reporting issuer* operates as determined in a manner consistent with the relevant *US oil and gas disclosure requirements*~~**constant price used**.

~~Item 3.2~~ Item 3.2 Forecast Prices Used in Estimates

~~1.~~ **1.** For each *product type*, disclose:

~~(a)~~ **(a)** the pricing assumptions used in estimating *reserves data* disclosed in response to Item 2.1:

~~(i)~~ **(i)** for each of at least the following five financial years; and

~~(ii)~~ **(ii)** generally, for subsequent periods; and

~~(b)~~ **(b)** the *reporting issuer's* weighted average historical prices for the most recent financial year.

~~2.~~ **2.** The disclosure in response to section 1 must include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.

~~3.~~ **3.** 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)~~ ***(1)*** *Benchmark reference prices may be obtained from sources such as public product trading exchanges or prices posted by purchasers*.

~~(1)~~ ***(2)*** *The defined term "**forecast prices and costs**" includes 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*.

~~(2)~~ ***(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~~ PART 4 RECONCILIATION OF CHANGES IN *RESERVES*

~~Item 4.1~~ Item 4.1 *Reserves* Reconciliation

~~1.~~ **1.** Provide the information specified in section 2 of this Item in respect of the following *reserves* categories:

~~(a)~~ **(a)** *gross proved reserves* (in total);

~~(a)~~ **(b)** *gross probable reserves* (in total); and

~~(b)~~ **(c)** *gross proved* plus *probable reserves* (in total).

~~2.~~ **2.** 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)~~ **(a)** by country;

~~(b)~~ **(b)** for each of the following:

~~(i)~~ **(i)** light and medium *crude oil* (combined);

~~(ii)~~ **(ii)** *heavy oil*;

~~(iii)~~ **(iii)** *associated gas* and *non-associated gas* (combined);

~~(iv)~~ **(iv)** *synthetic oil*;

~~(v)~~ **(v)** *bitumen*;

~~(vi)~~ **(vi)** coal bed methane;

~~(vii)~~ **(vii)** hydrates;

~~(viii)~~ **(viii)** shale oil; and

~~(ix)~~ **(ix)** shale gas;

~~(c)~~ **(c)** separately identifying and explaining:

~~(i)~~ **(i)** extensions and improved recovery;

~~(ii)~~ **(ii)** technical revisions;

~~(iii)~~ **(iii)** discoveries;

~~(iv)~~ **(iv)** acquisitions;

~~(v)~~ **(v)** dispositions;

~~(vi)~~ **(vi)** economic factors; and

~~(vii)~~ ***(vii)*** *production*.

INSTRUCTIONS

(1) The reconciliation required under this Item 4.1 must be provided in respect of ***reserves*** *estimated using* ***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.*

(4) ***Reporting issuers*** *must not include infill drilling* ***reserves*** *in the category of technical revisions specified in clause 2(c)(ii).* ***Reserves*** *additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").*

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

~~PART 5~~ PART 5 ADDITIONAL INFORMATION RELATING TO *RESERVES DATA*

~~Item 5.1~~ Item 5.1 *Undeveloped Reserves*

~~1.~~ **1.** For *proved undeveloped reserves*:

~~(a)~~ **(a)** disclose for each *product type* the volumes of *proved undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and

~~(b)~~ **(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.~~ **2.** For *probable undeveloped reserves*:

~~(a)~~ **(a)** disclose for each *product type* the volumes of *probable undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and

~~(b)~~ **(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~~ Item 5.2 Significant Factors or Uncertainties Affecting *Reserves Data*

~~1.~~ **1.** Identify and discuss significant economic factors or significant uncertainties that affect particular components of the *reserves data.*

~~1.~~ **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,*** *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~~ Item 5.3 Future *Development Costs*

~~1.~~ **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)~~ **(i)** *proved reserves* (in total) estimated using *forecast prices and costs*; and

~~(i)~~ **(ii)** *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

(ii) by year for each of the first five years estimated.

~~2.~~ **2.** Discuss the *reporting issuer's* expectations as to:

~~(a)~~ **(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

~~(a)~~ **(b)** the effect of those costs of funding on disclosed *reserves* or *future net revenue.*

~~3.~~ **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~~ PART 6 OTHER *OIL* AND *GAS* INFORMATION

~~Item 6.1~~ Item 6.1 *Oil* and *Gas Properties* and Wells

~~1.~~ **1.** Identify and describe generally the *reporting issuer's* important *properties*, plants, facilities and installations:

~~(a)~~ **(a)** identifying their location (province, territory or state if in Canada or the United States, and country otherwise);

~~(b)~~ **(b)** indicating whether they are located onshore or offshore;

~~(c)~~ **(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)~~ **(d)** describing any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.

~~1.~~ **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~~ Item 6.2 *Properties* With No Attributed *Reserves*

~~1.~~ **1.** For *unproved properties* disclose:

~~(a)~~ **(a)** the *gross* area (acres or hectares) in which the *reporting issuer* has an interest;

~~(b)~~ **(b)** the interest of the reporting issuer therein expressed in terms of net area (acres or hectares);

~~(c)~~ **(c)** the location, by country; and

~~(d)~~ **(d)** the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.

~~2.~~ **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.

INSTRUCTION

*If ~~a~~**the** **reporting issuer** holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the **gross** and **net** area. ~~For example, if the **reporting issuer** has included the area of each of its leases in its calculation of **net** area despite the fact that certain leases will pertain to the same surface area, disclose that fact.~~ A general description of the method of calculating the **disclosed** area will suffice.*

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

~~1.~~ **1.** Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves.*

~~1.~~ **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***

Examples of information that could warrant disclosure under this Item ~~6.2.1~~ include unusually high expected ***development costs*** *or* ***operating costs,*** *or the need to build a major pipeline or other major facility before* ***production*** *can begin.*

~~**Item 6.3**~~ **Item 6.3 Forward Contracts**

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

~~1.~~ **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**~~ **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)~~ **(a)** how the *reporting issuer* estimates such costs;

~~(b)~~ **(b)** the number of *net* wells for which the *reporting issuer* expects to incur such costs;

~~(c)~~ **(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)~~ **(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)~~ **(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. 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**~~ **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**~~ **Item 6.6 Costs Incurred**

~~1.~~ **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)~~ **(a)** *property acquisition costs*, separately for *proved properties* and *unproved properties*;

~~(b)~~ **(b)** *exploration costs;* and

~~(c)~~ **(c)** *development costs.*

~~2.~~ **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~~ Item 6.7 Exploration and Development Activities

~~1.~~ **1.** Disclose, by country and separately for *exploratory wells* and *development wells*:

~~(a)~~ **(a)** the number of *gross* wells and *net* wells completed in the *reporting issuer's* most recent financial year; and

~~(b)~~ **(b)** for each category of wells for which information is disclosed under paragraph (a), the number completed as *oil* wells, *gas* wells, *service wells* and *stratigraphic test wells* and the number that were dry holes.

~~2.~~ **2.** Describe generally the *reporting issuer's* most important current and likely exploration and development activities, by country.

~~Item 6.8~~ Item 6.8 *Production* Estimates

~~1.~~ **1.** Disclose, by country, for each *product type*, the volume of *production* estimated for the first year reflected in the estimates of *gross proved reserves* and *gross probable reserves* disclosed under Item 2.1.

~~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~~ Item 6.9 *Production* History

~~1.~~ **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)~~ **(a)** the *reporting issuer's* share of average *gross* daily *production* volume; and

~~(b)~~ **(b)** as an average per unit of volume (for example, $/*bbl* or $/*Mcf*):

~~(i)~~ **(i)** the prices received;

~~(ii)~~ **(ii)** royalties paid;

~~(iii)~~ **(iii)** *production costs*; and

~~(iv)~~ **(iv)** the resulting netback.

~~2.~~ **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. Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.*

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.[1]

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*, must 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 are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.

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]:

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[2]

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, consistently applied. 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.

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

[2] 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 2.1 of *Form 51-101F1*).

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]

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*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.[1]

2. The report referred to in item 3 of section 2.1 of *NI 51-101* must 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 are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.

[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, in the event of a 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 Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is 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.

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]

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

[signature, name and title of an officer other than the chief executive officer]

[signature, name of a director]

[signature, name of a director]

[Date]

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*").

~~1.~~ **1.** Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.[1]

~~2.~~ **2.** The report referred to in item 3 of section 2.1 of *NI 51-101* must 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 are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.

[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)~~ **(a)** reviewed the Company's procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];

~~(b)~~ **(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, in the event of a 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)~~ **(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)~~ **(a)** the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

~~(a)~~ **(b)** the filing of Form 51-101F2 which is the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and

~~(b)~~ **(c)** the content and filing of this report.

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 an ~~executive~~ officer other than the chief executive officer]

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* 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 Companion Policy 51-101CP.

[signature, name of a director]

[signature, name of a director]

[Date]

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

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

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

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

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

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

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

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Item 5.5 of Form 41-101F1 Information Required in a Prospectus is replaced with the following:

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

(a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,

(b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or

(c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.

(2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).

(3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).

(4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

INSTRUCTION

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

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

Item 5.5 of Form 41-101F1 Information Required in a Prospectus

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

(a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,

(b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or

(c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.

(2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).

(3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).

(4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

INSTRUCTION

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

Item 5.5 of Form 41-101F1 Information Required in a Prospectus

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

(a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,

(b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or

(c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.

(2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).

(3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).

(4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

INSTRUCTION

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

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Chapter 6

Request for Comments

6.1.1 CSA Notice 31-320 – Additional Request for Comment by the Ontario Securities Commission and Autorité des Marchés Financiers on Proposed Exemptions from Investment Fund Manager Registration Requirement for International and Certain Domestic Investment Fund Managers

CSA NOTICE 31-320
ADDITIONAL REQUEST FOR COMMENT BY THE
ONTARIO SECURITIES COMMISSION AND AUTORITÉ DES MARCHÉS FINANCIERS
ON PROPOSED EXEMPTIONS
FROM INVESTMENT FUND MANAGER REGISTRATION REQUIREMENT
FOR INTERNATIONAL AND CERTAIN DOMESTIC INVESTMENT FUND MANAGERS

The Canadian Securities Administrators (the **CSA**) are today publishing a notice and request for comments (the CSA Notice) on proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) and Companion Policy 31-103 CP *Registration Requirements and Exemptions* (the Companion Policy) relating to the registration of international and certain domestic investment fund managers. The CSA Notice follows this Notice.

The proposed amendments include two new exemptions from the investment fund manager registration requirement for non-resident investment fund managers, which are described in the CSA Notice as follows:

1. **Section 8.29.1 – *International investment fund manager*** – An international investment fund manager would not need to be registered if the investment fund it manages is only distributed to permitted clients, provided certain other conditions are met.

   We are proposing thresholds for this exemption so that an international investment fund manager that has a significant presence in the Canadian market would not be able to rely on this exemption. The proposed thresholds are

   - the fair value of all of the assets attributable to Canadian security holders of any investment fund for which it acts as investment fund manager should not be more than 10% of the fair value of all the assets of such fund
   - the total assets of all funds managed by the investment fund manager that are attributable to Canadian security holders should be less than $50 million

   We specifically invite comments on the calculations required to monitor these thresholds and whether the thresholds proposed are appropriate.

2. **Section 8.29.2 – *Non-resident investment fund manager*** – This is a grandfathering exemption for non-resident investment fund managers where neither the investment fund manager nor the investment fund has actively solicited local residents after September 28, 2011.

REQUEST FOR COMMENT

The proposed new section 8.29.2 does not include the same threshold limitations proposed for Section 8.29.1. This means that an international investment fund manager or a domestic investment fund manager, referred to in section 8.29.2 would not be required to register as an investment fund manager in the province or territory – regardless of the size of its investment fund – as long as it does not actively solicit local residents after September 28, 2011.

The Ontario Securities Commission and the Autorité des marchés financiers specifically invite comments on whether it would be appropriate to apply to the exemption proposed in section 8.29.2 [*non-resident investment fund manager*] the same threshold limitations proposed for the exemption in section 8.29.1[international investment fund manager] which are described above and more particularly set out in subsection 8.29.1(4).

All comments will be posted on the Ontario Securities Commission website at www.osc.gov.on.ca and on the Autorité des marchés financiers website at www.lautorite.qc.ca.

All comments will be made publicly available.

Please note that we cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In this context, you should be aware that some information which is personal to you, such as your e-mail and residential or business address, may appear in the websites. It is important that you state on whose behalf you are making the submission.

Thank you in advance for your comments.

Deadline for comments

Your comments must be submitted in writing by January 13, 2011.
Please send your comments electronically in Word, Windows format.

Where to send your comments

Please send your comments **only** to the addresses below.

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8
Fax: 416-593-2318
E-mail: jstevenson@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax : 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

Questions

Please refer your questions to any of:

Robert Kohl
Senior Legal Counsel
Compliance and Registrant Regulation
Ontario Securities Commission
Tel: 416-593-8233
rkohl@osc.gov.on.ca

Carlin Fung
Senior Accountant
Compliance and Registrant Regulation
Ontario Securities Commission
Tel: 416-593-8226
cfung@osc.gov.on.ca

Sophie Jean
Conseillère en réglementation
Surintendance de l'assistance à la clientèle, de l'indemnisation et de la distribution
Autorité des marchés financiers
Tel: 514-395-0337, ext. 4786
Toll-free: 1-877-525-0337
sophie.jean@lautorite.qc.ca

October 15, 2010

6.1.2 Notice of and Request for Comment on Proposed Amendments to National Instrument 31-103 Registration Requirements and Exemptions – Registration of International and Certain Domestic Investment Fund Managers

NOTICE OF AND REQUEST FOR COMMENT ON PROPOSED AMENDMENTS TO

NATIONAL INSTRUMENT 31-103 REGISTRATION *REQUIREMENTS AND EXEMPTIONS*

Registration of International and Certain Domestic Investment Fund Managers

October 15, 2010

Introduction

The Canadian Securities Administrators (the CSA or we) are seeking comments on proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103 or the Rule) and Companion Policy 31-103 CP Registration Requirements and Exemptions (the Companion Policy) related to the registration of international and certain domestic investment fund managers.

In this notice, we refer to the following types of investment fund managers as non-resident investment fund managers:

(1) international investment fund managers who carry out investment fund management activities from a location outside of Canada.

(2) domestic investment fund managers with a head office in one province who carry out investment fund management activities in other provinces or territories.

On September 28, 2009, NI 31-103 came into effect, providing a new registration regime in Canada, including a new registration category for investment fund managers. NI 31-103 provides temporary exemptions for certain investment fund managers. Specifically, sections 16.5 and 16.6 of NI 31-103 currently provide temporary exemptions for non-resident investment fund managers, so that registration is not required in any province or territory until September 28, 2011.

We indicated in the Notice dated July 17, 2009 (the 2009 Notice) that accompanied NI 31-103 that we would publish a proposal for comment in 2010 to explain the circumstances where an international investment fund manager will need to register, and in what additional provinces and territories a domestic investment fund manager with a head office in Canada will need to register.

We are publishing for comment new exemptions in the Rule and additional guidance in the Companion Policy in these areas. The comment period will end on **January 13, 2011**. The proposed amendments to NI 31-103 are in Appendix A to this notice. The proposed guidance in the Companion Policy is in Appendix B.

The temporary relief provided in sections 16.5 and 16.6 of NI 31-103 will expire on September 28, 2011. In the event the proposed amendments are approved and implemented, we expect the implementation date of the proposed new exemptions to be very close to the expiry date of the existing temporary exemptions. We strongly encourage non-resident investment fund managers to assess their circumstances in advance to determine whether they will need to be registered in any province or territory by September 28, 2011.

1. Summary and purpose of the proposed amendments to the Rule and the Companion Policy

Scope of the investment fund manager category

The investment fund manager category is intended to ensure that investment fund managers have sufficient proficiency, integrity and solvency (including prescribed capital), to adequately carry out their functions. We identified the following risks in the CSA notice dated February 20, 2007 as being particular to the management of an investment fund:

- incorrect or untimely calculation of net asset value
- incorrect or untimely preparation of financial statements and reports
- incorrect or untimely provision of transfer agency or record-keeping services
- conflicts of interest between the fund manager and its investors

These risks concern investors in any investment fund regardless of where the investment fund manager is located. We think, however, that there will be circumstances where the investment fund manager registration requirement may be unduly burdensome to an investment fund manager who carries out activities outside of a particular province or territory, particularly where the investment fund has security holders in a province or territory due to circumstances beyond its control, for example when a security holder moves from one province to another.

Registration of non-resident investment fund manager

A non-resident investment fund manager would need to be registered in a province or territory in the following circumstances:

(1) an international investment fund manager who carries out investment fund management activities from a location outside of Canada would need to register in the relevant province or territory, if the international fund it manages has security holders that are local residents and the international investment fund manager or the fund they manage, has actively solicited local residents to purchase securities of the fund.

(2) a domestic investment fund manager who carries out investment fund management activities would also need to register in another province or territory in addition to the province or territory where its head office is located, if the domestic fund has security holders that are local residents and the domestic investment fund manager, or the fund it manages, has actively solicited local residents to purchase securities of the funds.

Active solicitation

In the proposed amendments to the Companion Policy, we provide guidance about

- our interpretation of the investment fund manager registration requirement, and
- what we mean by the term “actively solicited”.

Proposed exemptions

We are proposing the following exemptions from the investment fund manager registration requirement for non-resident investment fund managers:

1. Section 8.29.1 – *International investment fund manager* – An international investment fund manager would not need to be registered if the investment fund it manages is only distributed to permitted clients, provided certain other conditions are met.

   We are proposing thresholds for this exemption so that an international investment fund manager that has a significant presence in the Canadian market would not be able to rely on this exemption. The proposed thresholds are

   - the fair value of all of the assets attributable to Canadian security holders of any investment fund for which it acts as investment fund manager should not be more than 10% of the fair value of all the assets of such fund
   - the total assets of all funds managed by the investment fund manager that are attributable to Canadian security holders should be less than $50 million

   We specifically invite comments on the calculations required to monitor these thresholds and whether the thresholds proposed are appropriate.

2. Section 8.29.2 – *Non-resident investment fund manager* – This is a grandfathering exemption for non-resident investment fund managers where neither the investment fund manager nor the investment fund has actively solicited local residents after September 28, 2011.

Notice to clients by non-resident investment fund manager

We are also proposing a new notice requirement in section 14.5.1 of NI 31-103. This section would require all international and domestic investment fund managers to provide a notice to investors informing them of its non-resident status, as well as the risk that investors may not be able to enforce legal rights in the province or territory.

We are also proposing a transition period for this notice requirement.

We specifically invite comments from international and domestic investment fund managers on complying with this proposed requirement.

Passport system

Most investment fund managers can rely on the passport system to register in multiple jurisdictions with a single filing with the principal regulator. For more details on how a firm or individuals can register in multiple jurisdictions, please refer to National Policy 11-204 *Process for Registration in Multiple Jurisdictions*. We note however, that notification of reliance on the proposed exemption in section 8.29.1 is to be given to each regulator.

2. Authority for the proposed amendments

In Ontario, the rule making authority for the proposed amendments is in paragraphs 7 and 8 of subsection 143(1) of the *Securities Act*.

3. Unpublished materials

In developing the proposed amendments, we have not relied on any significant unpublished study, report or other written materials.

4. Anticipated costs and benefits

The proposed amendments will make the Rule and the Companion Policy and the ongoing requirements more targeted, to the benefit of registrants and the investors they serve.

5. Request for comments

We would like your input on the Rule and the Companion Policy. We need to continue our open dialogue with all stakeholders if we are to achieve our regulatory objectives while balancing the interests of investors and registrants.

All comments will be posted on the Ontario Securities Commission website at www.osc.gov.on.ca and on the Autorité des marchés financiers website at www.lautorite.qc.ca.

All comments will be made publicly available.

Please note that we cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In this context, you should be aware that some information which is personal to you, such as your e-mail and residential or business address, may appear in the websites. It is important that you state on whose behalf you are making the submission.

Thank you in advance for your comments.

Deadline for comments

Your comments must be submitted in writing by **January 13, 2011**.

Please send your comments electronically in Word, Windows format.

Where to send your comments

Please address your comments to all CSA members, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

Please send your comments **only** to the addresses below. Your comments will be forwarded to the remaining CSA member jurisdictions.

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8
Fax: 416-593-2318
E-mail: jstevenson@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax : 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

Questions

Please refer your questions to any of:

Noreen Bent
Manager, Legal Services
Corporate Finance Division
British Columbia Securities Commission
Tel: 604-899-6741
nbent@bcsc.bc.ca

Lindy Bremner
Senior Legal Counsel
Capital Markets Regulation
British Columbia Securities Commission
Tel: 604-899-6678
1-800-373-6393
lbremner@bcsc.bc.ca

Lorenz Berner
Manager, Legal, Market Regulation
Alberta Securities Commission
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Dean Murrison
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Toll Free (Manitoba only) 1-800-655-5244
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Senior Accountant
Compliance and Registrant Regulation
Ontario Securities Commission
Tel: 416-593-8226
cfung@osc.gov.on.ca

Sophie Jean
Conseillère en réglementation
Surintendance de l'assistance à la clientèle, de l'indemnisation et de la distribution
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6. Where to find more information

We are publishing the proposed amendments with this Notice. The proposed amendments are also available on websites of CSA members, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.msc.gov.mb.ca
www.gov.ns.ca/nssc
www.sfsc.gov.sk.ca
www.osc.gov.on.ca

APPENDIX A

AMENDMENTS TO
NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS AND EXEMPTIONS

1. National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.

2. Section 1.3(2) is replaced by the following:

Except under the following sections, if a person or company is required to give notice to the regulator or the securities regulatory authority under this Instrument, the person or company may give the notice by giving it to the person or company's principal regulator:

(a) section 8.18 [*international dealer*];

(b) section 8.26 [*international adviser*];

(c) section 8.29.1 [*international investment fund manager*]

(d) section 11.9 [*registrant acquiring a registered firm's securities or assets*];

(e) section 11.10 [*registered firm whose securities are acquired*].

3. Part 8 is amended by adding the following after section 8.29:

8.29.1 International investment fund manager

(1) In this section, "permitted client" has the meaning given to that term in section 1.1 [*definitions*] except that it excludes paragraph (m) and (n) and includes a registered charity under the *Income Tax Act* (Canada) that obtains advice on the securities to be traded from an eligibility adviser, as defined in section 1.1 of NI 45-106, or an adviser registered under the securities legislation of the jurisdiction of the registered charity.

(2) Subject to subsections (3) and (4), the investment fund manager registration requirement does not apply to a person or company in respect of its acting as investment fund manager for an investment fund if all securities of the investment fund distributed in Canada were distributed under an exemption from the prospectus requirement to a person or company that was a permitted client.

(3) The exemption in subsection (2) is not available unless all of the following apply:

(a) the investment fund manager does not have a physical place of business in Canada;

(b) the investment fund is incorporated, formed or created under the laws of a foreign jurisdiction;

(c) the investment fund is not a reporting issuer in any jurisdiction of Canada;

(d) the investment fund manager has submitted to the securities regulatory authority a completed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*.

(4) The exemption in subsection (2) is not available to an investment fund manager if, as at the end of its most recently completed financial year end, any of the following apply:

(a) for any investment fund for which it acts as an investment fund manager, the fair value of the assets of the fund attributable to securities beneficially owned by residents of Canada is more than 10% of the fair value of all of the assets,

(b) for all investment funds for which it acts as an investment fund manager, the fair value of the assets of the funds attributable to securities beneficially owned by residents of Canada is more than $50 million.

(5) If an investment fund manager relies upon the exemption in subsection (2), it must have previously notified the permitted client in writing of all of the following:

(a) the investment fund manager is not registered in the local jurisdiction to act as an investment fund manager;

(b) the foreign jurisdiction in which the head office or principal place of business of the investment fund manager is located;

(c) all or substantially all of the assets of the investment fund manager may be situated outside of Canada;

(d) there may be difficulty enforcing legal rights against the investment fund manager because of the above;

(e) the name and address of the agent for service of process of the investment fund manager in the local jurisdiction.

(6) A person or company that relied on the exemption in subsection (2) must notify the regulator by December 1 of each year.

8.29.2 Non-resident investment fund manager

The investment fund manager registration requirement does not apply to a person or company in respect of its acting as an investment fund manager of an investment fund if all of the following apply

(a) the activities of the investment fund manager are not conducted from a physical place of business in the local jurisdiction;

(b) the investment fund manager is not incorporated, formed or created under the laws of the local jurisdiction;

(c) the investment fund is not incorporated, formed or created under the laws of the local jurisdiction;

(d) the investment fund is not a reporting issuer; and

(e) except for a solicitation for a trade referred to in section 8.17 [*reinvestment plan*], neither the investment fund manager nor the investment fund has, after September 28, 2011, actively solicited residents of the local jurisdiction to purchase securities of the fund.

4. Section 14.1 is replaced by the following:

14.1 Investment fund managers exempt from Part 14

Except for the following provisions, this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager:

(a) section 14.5.1 [*notice to investors by non-resident registered investment fund managers*];

(b) section 14.6 [*holding client assets in trust*];

(c) section 14.12(5) [*content and delivery of trade confirmation*];

(d) section 14.14 [*account statements*].

5. Part 14 is amended by adding the following after section 14.5:

14.5.1 Notice to investors by non-resident registered investment fund managers

(1) A registered investment fund manager whose head office is not located in the local jurisdiction must provide or cause to be provided to security holders with an address of record in the local jurisdiction on the records of each investment fund in respect of which the investment fund manager acts as an investment fund manager a statement in writing disclosing the following:

(a) the non-resident status of the investment fund manager;

(b) the investment fund manager's jurisdiction of residence;

(c) the name and address of the agent for service of process of the investment fund manager in the local jurisdiction;

(d) the nature of risks to security holders that legal rights may not be enforceable in the local jurisdiction.

(2) This section does not apply to an investment fund manager whose head office is in Canada if the investment fund manager has a physical place of business in the local jurisdiction.

6. Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service is amended

a. after the title by replacing "(section 8.18 [international dealer] and 8.26 [international adviser])***" with the following:***

"(section 8.18 [international dealer], 8.26 [international adviser] and 8.29.1[international investment fund manager])"***,***

b. by replacing paragraph 4 with the following:

4. Section of NI 31-103 the International Firm is relying on:

□ Section 8.18 [*international dealer*]
□ Section 8.26 [*international adviser*]
□ Section 8.29.1 [*international investment fund manager*]
□ Other,

c. replacing paragraph 9 with the following:

9. Until 6 years after the International Firm ceases to rely on section 8.18 [*international dealer*], section 8.26 [*international adviser*] or section 8.29.1 [*international investment fund manager*], the International Firm must submit to the securities regulatory authority

a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated; and

b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service.

7. (1) Except as set out in (2) this Instrument comes into force on •.

(2) Section 5 comes into force on •.

APPENDIX B

AMENDMENTS TO
COMPANION POLICY 31-103CP
REGISTRATION REQUIREMENTS AND EXEMPTIONS

1. Companion Policy 31-103CP Registration Requirements and Exemptions is amended by this Instrument.

2. Section 1.1 [introduction] is amended in the first paragraph under the heading "Delivering disclosure and notices***" by adding the following after "***• 8.26 International adviser***":***

• 8.29.1 *International investment fund manager*

3. Section 1.2 [definitions] is amended

a. in the second paragraph under the heading "Permitted client***" by adding after "***• *8.26 International adviser****" the following:***

• 8.29.1 *International investment fund manager*

b. replacing the paragraph under the heading "*Exemptions from registration when dealing with permitted clients****" with the following:***

NI 31-103 exempts international dealers, international advisers and international investment fund managers from the registration requirement if they deal with certain permitted clients and meet certain other conditions.

4. Section 1.3 [fundamental concepts] is amended by replacing the heading "*Registration trigger for investment fund managers****" and the text under that heading with the following:***

Registration trigger for investment fund managers

A person or company that directs or manages the business, operations or affairs of an investment fund is an investment fund manager. A firm must register in each jurisdiction where it acts as an investment fund manager. Investment fund managers are not subject to the business trigger.

You are required to register in a jurisdiction if you direct or manage the business, operations or affairs of an investment fund from a physical place of business in that jurisdiction. An investment fund manager that does not have a physical place of business in a jurisdiction will also need to register in that jurisdiction if

- the investment fund has security holders resident in that jurisdiction, and
- after the investment fund manager registration requirement came into force (on September 28, 2009), the investment fund manager or the investment fund actively solicited the purchase of the fund's securities by residents in that jurisdiction.

This means that an international investment fund manager that carries out its investment fund management activities from a physical place of business outside of Canada will be required to register in each jurisdiction where it has security holders that have been actively solicited. In addition, a domestic investment fund manager that carries out its investment fund management activities from a physical place of business in a jurisdiction will be required to register in that jurisdiction; it will also have to register in each other jurisdiction where it has security holders that have been actively solicited.

Investment fund managers that do not have a physical place of business in a jurisdiction and have not actively solicited in that jurisdiction after September 28, 2011, and meet certain other conditions, will not be required to register. For guidance on the non-resident investment fund manager exemption, see section 8.29.2 of this Companion Policy.

Active solicitation

Active solicitation refers to intentional actions taken by the investment fund or the investment fund manager to encourage a purchase of the fund's securities.

It includes:

1. direct communication with residents of the jurisdiction to encourage their purchases of the fund's securities

2. advertising in Canadian publications or other Canadian media (including the internet), if the advertising is intended to encourage the purchase of the fund's securities by residents of the jurisdiction (either directly from the fund or in the secondary/resale market)

3. purchase recommendations being made by a third party to residents of the jurisdiction, if that party is entitled to be compensated by the investment fund or the investment fund manager, for the recommendation itself, or for a subsequent purchase of fund securities by residents of the jurisdiction in response to the recommendation.

It would not include advertising in international publications or other international media (including the internet) – including advertising to promote the image or general perception of a fund – unless the advertising specifically encouraged an investment in the fund by residents of the jurisdiction.

5. Section 7.3 [investment fund manager category] is amended by replacing the first paragraph with the following:

Investment fund managers direct the business, operations or affairs of an investment fund.

6. Part 8 is amended by adding after section 8.28 [capital accumulation plan exemption] the following:

8.29.1 International investment fund manager

An investment fund manager that does not have a physical place of business in Canada is exempt from the investment fund manager registration requirement if the investment fund only distributes its securities in Canada to permitted clients and certain other conditions set out in section 8.29.1 are satisfied, including limitations on the fair value of the assets of the funds it manages that are attributable to Canadian investors.

If an investment fund manager is relying on the exemption in more than one jurisdiction, it must provide an initial notice by filing a Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service* (F2) with the regulator in each jurisdiction where it relies on the exemption. If there is any change to the information in the investment fund manager's F2, it must update it by filing a replacement F2 with them.

So long as the investment fund manager continues to rely on the exemption, it must file an annual notice with each regulator. Subsection 8.29.1(6) does not prescribe a form of annual notice. An email or letter will therefore be acceptable.

8.29.2 Non-resident investment fund manager

An investment fund manager that does not have a physical place of business in a jurisdiction, but manages an investment fund with security holders in that jurisdiction, is not required to register in that jurisdiction if neither it nor the fund has actively solicited residents in that jurisdiction after September 28, 2011 (except in respect of a reinvestment plan), and it meets certain other conditions. For guidance on the meaning of the term "actively solicited", see section 1.3 of this Companion Policy.

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Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
09/20/2010	1	2249778 Ontario Inc. - Common Shares	575,050.00	575,050.00
09/20/2010	1	2255195 Ontario Inc. - Common Shares	50.00	50.00
09/30/2010	11	Advanced Composite Technologies Inc. - Common Shares	553,000.00	1,382,500.00
09/27/2010	1	Alexandria Real Estate Equities, Inc. - Common Shares	3,571,569.00	4,000,000.00
09/17/2010	67	Alix Resources Corp. - Units	910,000.00	7,000,000.00
09/27/2010	6	Automated Benefits Corp. - Common Shares	18,795.85	156,632.00
09/23/2010 to 09/24/2010	42	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	1,819,200.00	1,819,200.00
06/21/2010	9	Canadian Quantum Energy Corp. - Common Shares	2,090,000.00	1,900,000.00
09/23/2010	18	CareVest Blended Mortgage Investment Corporation - Preferred Shares	515,574.00	515,574.00
09/23/2010	17	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	696,129.00	696,129.00
09/23/2010	3	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	68,852.00	68,852.00
09/14/2010	1	China High Speed Transmission Equipment Group Co. Ltd. - Common Shares	4,575,160.00	2,000,000.00
09/23/2010	29	CMC Metals Ltd. - Units	477,150.00	3,181,001.00
09/24/2010	1	CNH Capital Canada Wholesale Trust - Notes	217,000,000.00	1.00
09/14/2010	2	Cresval Capital Corp. - Flow-Through Shares	100,000.00	1,000,000.00
09/14/2010	1	Downer Group Finance Pty Limited - Notes	60,769,800.00	1.00
09/20/2010	1	Ellerslie GT-SDM Limited Partnership - Loans	25,000.00	1.00
04/26/2010	43	Everton Resources Inc. - Units	2,357,500.00	9,430,000.00
09/21/2010	1	Explor Resources Inc. - Common Shares	1,000,000.00	2,000,000.00
09/23/2010 to 09/27/2010	4	First Leaside Mortgage Fund - Trust Units	320,000.00	320,000.00
09/28/2010	1	First Leaside Visions II Limited Partnership - Units	25,000.00	25,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
09/23/2010	2	First Leaside Wealth Management Inc. - Preferred Shares	145,049.00	145,049.00
09/13/2010	1	Gold Bullion Development Corp. - Common Shares	318,000.00	750,000.00
09/22/2010	42	Golden Band Resources Inc. - Flow-Through Shares	1,409,450.00	3,075,000.00
04/01/2009 to 03/31/2010	1	GWLIM Canadian Growth Fund - Units	1,955,396.16	N/A
09/24/2010	1	Health Care REIT, Inc. - Common Shares	18,781,290.00	400,000.00
09/24/2010	11	Highland Resources Inc. - Units	185,000.00	3,700,000.00
09/24/2010	12	Huntsman International LLC - Notes	4,532,140.80	N/A
04/01/2009 to 03/31/2010	1	Keystone Beutel Goodman Bond Fund - Units	5,684,974.87	N/A
04/01/2009 to 03/31/2010	1	Keystone Dynamic Power Small-Cap Class - Units	349,814.00	N/A
04/01/2009 to 03/31/2010	1	Keystone Growth Portfolio Fund - Units	56,383.71	N/A
04/01/2009 to 03/31/2010	1	Keystone Manulife High Income Fund - Units	3,148,254.93	N/A
09/23/2010	2	Liberty Tire Recycling Holdco, LLC and Liberty Tire Recycling Finance, Inc. - Notes	618,600.00	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Canadian Balanced Fund - Units	3,414,296.13	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Canadian Security Class - Units	1,163,192.20	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Canadian Security Fund - Units	839,975.45	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Global Balanced Fund - Units	1,213,452.34	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Global Dividend Fund - Units	224,609.03	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill International Class - Units	748,788,661.00	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Recovery Fund - Units	4,162,208.16	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Value Class - Units	74,480.70	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Cundill Value Fund - Units	111,459.68	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Focus Canada Fund - Units	509,617.76	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Focus Fund - Units	100,586.34	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/01/2009 to 03/31/2010	1	Mackenzie Focus Far East Class - Units	18,737,646.25	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Canadian Balanced Fund - Units	3,670,500.99	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Canadian Growth Fund - Units	1,152,221.27	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Canadian Resource Class - Units	21,389,230.56	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Canadian Resource Fund - Units	147,525,808.80	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Emerging Markets Class - Units	38,464,390.78	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal European Opportunities Fund - Units	116,115.03	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Global Growth Class - Units	2,820,424.74	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Global Growth Fund - Units	1,645,980.65	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Global Infrastructure Fund - Units	8,487,342.47	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Global Property Income Fund - Units	4,743.70	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Health Sciences Class - Units	1,627,195.28	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal International Stock Fund - Units	20,347,323.07	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal North American Growth Class - Units	20,331.97	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Precious Metals Fund - Units	52,342,501.35	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal Technology Class - Units	1,758,108.69	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal U.S. Blue Chip Class - Units	512,300.81	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal U.S. Dividend Income Fund - Units	1,526,301.09	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal U.S. Emerging Growth Class - Units	621,731.88	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal U.S. Growth Leaders Class - Units	607,546.75	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal U.S. Growth Leaders Fund - Units	7,051,884.11	N/A
04/01/2009 to 03/31/2010	1	Mackenzie Universal World Real Estate Class - Units	3,151,250.58	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/01/2009 to 03/31/2010	1	Mackenzie Universal World Resource Class - Units	1,776,315.06	N/A
09/02/2010	18	Match Capital Resources Corporation - Units	500,000.00	5,000,000.00
09/24/2010	3	Messina Minerals Inc. - Units	125,000.00	1,250,000.00
09/17/2010	1	Micromem Technologies Inc. - Common Shares	51,395.00	197,307.00
10/01/2010	7	NBTY, Inc. - Notes	1,123,650.00	7.00
09/01/2010 to 09/09/2010	26	Newport Canadian Equity Fund - Units	304,000.00	2,454.23
09/02/2010	1	Newport Canadian Hedge Fund - Units	16,192.60	161.93
09/02/2010	1	Newport Diversified Hedge Fund - Units	30,297.74	500.04
09/01/2010 to 09/10/2010	20	Newport Fixed Income Fund - Units	1,593,361.35	14,783.25
09/07/2010	2	Newport Global Equity Fund - Units	15,000.00	261.44
09/02/2010	1	Newport Partners Private Growth Fund L.P. - Common Shares	151,504.88	166.00
09/02/2010	1	Newport Strategic Yield Fund L.P. - Units	177,972.42	15,501.00
09/01/2010 to 09/10/2010	45	Newport Yield Fund - Units	2,972,772.02	25,833.42
08/31/2010	5	NewStart Canada - Notes	60,000.00	5.00
09/22/2010	2	Northern Platinum Ltd. - Common Shares	266,396.48	591,992.00
08/31/2010	3	NP Oil & Gas L.P. Class B - Common Shares	68,329.98	54.00
09/17/2010 to 09/21/2010	9	Nulegacy Gold Corporation - Special Warrants	330,000.00	1,650,000.00
09/20/2010	10	Parkland Energy Services Inc. - Debentures	3,994,920.00	N/A
09/23/2010	6	PHI Inc. - Debentures	24,841,100.00	242,500.00
09/24/2010	1	Pier 21 Global Value Pool - Units	500,000.00	49,077.59
09/24/2010	1	Pomeroy Lodging LP - Loans	58,000,000.00	58,000,000.00
04/01/2009 to 03/31/2010	1	Quadrus AIM Canadian Equity Growth Fund - Units	10,732,505.32	N/A
04/01/2009 to 03/31/2010	1	Quadrus Eaton Vance U.S. Value Corporate Class - Units	4,409,475.84	N/A
04/01/2009 to 03/31/2010	1	Quadrus Laketon Fixed Income Fund - Units	127,339,822.90	N/A
04/01/2009 to 03/31/2010	1	Quadrus Setanta Global Dividend Corporate Class - Units	1,026,165.86	N/A
04/01/2009 to 03/31/2010	1	Quadrus Sionna Canadian Value Class - Units	2,739,716.22	N/A

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/01/2009 to 03/31/2010	1	Quadrus Templeton International Equity Fund - Units	9,515,405.07	N/A
04/01/2009 to 03/31/2010	1	Quadrus Trimark Balanced Fund - Units	12,749,984.17	N/A
04/01/2009 to 03/31/2010	1	Quadrus Trimark Global Equity Fund - Units	4,532,561.30	N/A
09/17/2010	1	Rencore Resources Ltd. - Common Shares	12,000.00	80,000.00
09/17/2010	33	Richfield Ventures Corp. - Units	14,625,000.00	7,500,000.00
09/16/2010	33	Rockgate Capital Corp. - Units	6,500,000.00	N/A
05/17/2010	2	RTN Stealth Software Inc. - Common Shares	1,250,000.00	20,000,000.00
04/27/2010	28	Rx Exploration Inc. - Units	2,283,563.40	7,611,878.00
09/24/2010	7	Superior Mining International Corporation - Common Shares	198,399.96	1,653,333.00
09/21/2010	44	Threegold Resources Inc. - Units	500,000.00	10,000,000.00
09/29/2010	2	TPC Group LLC - Notes	7,163,135.00	7,000.00
09/22/2010	3	Visant Corporation - Notes	12,392,400.00	N/A
09/24/2010	23	Whiskey Peak Resources Ltd. - Units	394,400.05	2,629,332.00
09/22/2010 to 09/28/2010	7	Wimberly Fund - Trust Units	352,590.00	352,590.00
09/28/2010	1	Wimberly Fund - Trust Units	106,281.00	106,281.00
04/28/2010	13	Xinergy Ltd. - Common Shares	76,297,500.00	3,000,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AGF Emerging Markets Balanced Fund
AGF Emerging Markets Bond Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated October 7, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
Mutual Fund Series, Series F, Series G, Series H and Series O Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1643684

Issuer Name:
Atlantic Power Corporation
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$70,000,000 - * % Series B Convertible Unsecured Subordinated Debentures due *
Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
Macquarie Capital Markets Canada Ltd.
National Bank Financial Inc.
Promoter(s):
-
Project #1619688

Issuer Name:
Atlantic Power Corporation
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form PREP Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
UBS Securities Canada Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #1620681

Issuer Name:
ATY Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brompton Funds Management Limited
Project #1643535

Issuer Name:
Aumento Capital Corporation
Type and Date:
Preliminary CPC Prospectus dated October 6, 2010
Receipted on October 7, 2010
Offering Price and Description:
Minimum of $400,000.00 - 2,000,000 Common Shares
Maximum of $600,000.00- 3,000,000 Common Shares
Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
David Danziger
Project #1643436

Issuer Name:
BNK Petroleum Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Base Shelf Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
Cdn$200,000,000.00:
Common Shares
Warrants
Debt Securities
Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1644008

Issuer Name:
Canam Group Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
$60,000,000.00 - 6.25% Convertible Unsecured Subordinated Debentures Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
GMP Securities L.P.
Raymond James Ltd.
Desjardins Securities Inc.
Promoter(s):
-
Project #1643093

Issuer Name:
Connacher Oil and Gas Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
$22,040,000.00 - 15,200,000 Flow-Through Common Shares Price: $1.45 per Flow-Through Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Scotia Capital Inc.
Promoter(s):
-
Project #1643692

Issuer Name:
Exeter Resource Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$50,003,000.00 - 8,065,000 Common Shares Price: $6.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
TD Securities Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Promoter(s):
-
Project #1643934

Issuer Name:
Front Street MLP Income Fund Ltd.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
* - * Units Price: 10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Canaccord Genuity Corp.
Dundee Securities Corporation
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
Wellington West Capital Markets Inc.
Sherbrooke Street Capital (SSC) Inc.
Tuscarora Capital Inc.
Promoter(s):
Front Street Capital 2004
Project #1641437

Issuer Name:
Golden Minerals Company
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
US$ * - * Common Stock Price: US$ * per Common Stock
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Dundee Securities Corporation
Haywood Securities Inc.
Promoter(s):
-
Project #1643103

Issuer Name:
Golden Minerals Company
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
US$75,017,500.00 - 4,055,000 Shares of Common Stock Price: 18.50 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Dundee Securities Corporation
Haywood Securities Inc.
Promoter(s):
-
Project #1643103

Issuer Name:
Greenfields Petroleum Corporation
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated October 4, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
$28,000,000.00 - * Common Shares Price: per Common Share
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Raymond James Ltd.
Haywood Securities Inc.
Promoter(s):
Richard E. MacDougal
Alex T. Warmath
John W. Harkins
Project #1580131

Issuer Name:
GrowthWorks Commercialization Fund Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
Class A Shares, 12 Series
Underwriter(s) or Distributor(s):
GrowthWorks Capital Ltd.
Promoter(s):
-
Project #1643365

Issuer Name:
Horizons AlphaPro Floating Rate Bond ETF
Horizons AlphaPro Preferred Share ETF
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated October 12, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Alphapro Management Inc.
Project #1644331

Issuer Name:
Hunt Mining Corp
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$ * - * Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
Octagon Capital Corporation
Canaccord Genuity Corp.
Wolverton Securities Ltd.
Promoter(s):
Tim Hunt
Project #1644097

Issuer Name:
Lydian International Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$17,253,000.00 - 8,100,000 Ordinary Shares Price: $2.13 per Ordinary Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Dundee Securities Corporation
Canaccord Genuity Corp.
TD Securities Inc.
Stifel Nicolaus Canada Inc.
Promoter(s):
-
Project #1643896

Issuer Name:
National Bank of Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Base Shelf Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$5,000,000,000.00:
Debt Securities (unsubordinated Indebtedness)
Debt Securities (subordinated indebtedness)
First Preferred Shares
Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1644029

Issuer Name:
OCP Credit Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated October 5, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Onex Credit Partners, LLC
Project #1643009

Issuer Name:
Platinum Group Metals Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
Cdn$125,050,000.00 - 61,000,000 Common Shares Price: $2.05 per Offered Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
GMP Securities Inc.
RBC Dominion Securities Inc.
Raymond James Ltd.
Stifel Nicolaus Canada Inc.
Promoter(s):
-
Project #1643683

Issuer Name:
Pure Industrial Real Estate Trust
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
$18,615,000.00 - 5,100,000 Units Price: $3.65 Per Unit
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Dundee Securities Corporation
RBC Dominion Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Sunstone Industrial Advisors Inc.
Project #1643274

Issuer Name:
Rainbow Resources Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
$1,000,000.00 (Minimum) -3,333,333 Flow-Through Units and 3,333,333 Units; $1,500,000.00 (Maximum) - 5,000,000 Flow-Through Units and 5,000,000 Units Price per Unit: $0.15 and per Flow-Through Unit: $0.15
Underwriter(s) or Distributor(s):
Northern Securities Inc.
Promoter(s):
Brian Murray
Project #1643420

Issuer Name:
Sandstorm Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
$50,000,620.00 - 68,494,000 Units Price: $0.73 per Unit
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Cormark Securities Inc.
Canaccord Genuity Corp.
CIBC World Markets Inc.
Promoter(s):
-
Project #1643261

Issuer Name:
Strad Energy Services Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
* Common Shares ($40,000,000.00) $ *per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
CIBC World Markets Inc.
Macquarie Capital Markets Canada Ltd.
Peters & Co. Limited
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1643647

Issuer Name:
TransAxio Highway Concession Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Long Form Prospectus dated October 7, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
$ * - * Subscription Receipts each representing the right to receive one Equity Share Price: $ * per Subscription Receipt
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Genuity Corp.
Credit Suisse Securities (Canada) Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
NCP Northland Capital Partners Inc.
Raymond James Ltd.
Promoter(s):
SNC-Lavalin Group Inc.
SNC-Lavalin Inc.
Project #1643593

Issuer Name:
TransAxio Highway Concession Inc.
Principal Regulator - Quebec
Type and Date:
Amended and Restated Preliminary Long Form PREP Prospectus dated October 12, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
$ * - * Subscription Receipts each representing the right to receive one Equity Share Price: $ * per Subscription Receipt
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Genuity Corp.
Credit Suisse Securities (Canada) Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
NCP Northland Capital Partners Inc.
Raymond James Ltd.
Promoter(s):
SNC-Lavalin Group Inc.
SNC-Lavalin Inc.
Project #1643593

Issuer Name:
Whistler Blackcomb Holdings Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Goldman Sachs Canada Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Intrawest ULC
Project #1644145

Issuer Name:
BluMont Canadian Fund
Principal Regulator - Ontario
Type and Date:
Amendment No. dated October 4, 2010 to the Simplified Prospectus and Annual Information Form dated August 23, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BluMont Capital Corporation
Promoter(s):
BluMont Capital Corporation
Project #1607978

Issuer Name:
BMG BullionFund (Class A, Class F, Class I, Class S1 and Class S2 Units)
BMG Gold BullionFund (Class A, Class F, Class I, Class S1 and Class S2 Units)
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectuses and Annual Information Form dated September 30, 2010 amending and restating the Simplified Prospectuses and Annual Information Form dated August 16, 2010.

Amendment dated September 30, 2010 to Final Simplified Prospectus and Annual Information Form (NI 81-101) dated August 16, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Bullion Management Services Inc.
Project #1609495

Issuer Name:
Phillips, Hager & North High Yield Bond Fund
Principal Regulator - British Columbia
Type and Date:
Amendment No. 1 dated September 30, 2010 to the Simplified Prospectus and Annual
Information Form dated June 29, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #1586680

Issuer Name:
Horizons Advantaged Equity Fund Inc.
Type and Date:
Amendment #1 dated September 24, 2010 to the Long Form Prospectus dated January 26, 2010
Receipted on October 7, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CFPA Sponsor Inc.
Project #1517774

Issuer Name:
Quest Rare Minerals Ltd.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated October 8, 2010
NP 11-202 Receipt dated October 8, 2010
Offering Price and Description:
$46,500,025.00 - 8,235,300 Units and 2,300,000 Flow-Through Shares (at $4.25 per Unit and $5.00 per Flow-Through Share)
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
CIBC World Markets Inc.
Stonecap Securities Inc.
Promoter(s):
-
Project #1640572

Issuer Name:
Renegade Petroleum Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 6, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
$10,002,300.00 - 3,031,000 Offered Shares; and $10,004,000.00 - 2,440,000 Flow-Through Common Shares: Price: $3.30 per Offered Share $4.10 per Flow-Through Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Dundee Securities Corporation
FirstEnergy Capital Corp.
Paradigm Capital Inc.
Macquarie Capital Markets Canada Inc.
Haywood Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1640760

Issuer Name:
Retrocom Mid-Market Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 12, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
$20,000,000.00 - 4,000,000 Trust Units Price: $5.00 Per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Desjardins Securities Inc.
National Bank Financial Inc.
Canaccord Genuity Corp.
Dundee Securities Corporation
Promoter(s):
-
Project #1642370

Issuer Name:
Sprott Short-Term Bond Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 20, 2010 to the Simplified Prospectus and Annual Information Form dated July 16, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
SPROTT ASSET MANAGEMENT GP INC.
Project #1601073

Issuer Name:
TD Private Canadian Strategic Opportunities Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated September 27, 2010 to the Simplified Prospectus and Annual Information Form dated April 14, 2010
NP 11-202 Receipt dated October 7, 2010
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
TD Asset Management Inc.
Project #1541674

Issuer Name:
Tethys Petroleum Limited
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 12, 2010
NP 11-202 Receipt dated October 12, 2010
Offering Price and Description:
US$60,000,000.00 (Minimum Offering) - US$100,040,200.00 (Maximum Offering): A Minimum of 42,342,978 Ordinary Shares and a Maximum of 70,600,000 Ordinary Shares Price: US$1.417 (C$1.45) per Ordinary Share
Underwriter(s) or Distributor(s):
Fraser Mackenzie Limited
FirstEnergy Capital Corp.
Promoter(s):
-
Project #1642379

Issuer Name:
The Children's Educational Foundation of Canada
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated October 5, 2010
NP 11-202 Receipt dated October 6, 2010
Offering Price and Description:
Scholarship Trust Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
CHILDREN'S EDUCATION FUNDS INC.
Project #1624037

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: CMS Fund Advisers, Inc. To: CMS Fund Advisers, LLC	Portfolio Manager	September 30, 2010
Consent to Suspension	Connor, Clark & Lunn Arrowstreet Capital Ltd.	Exempt Market Dealer	October 6, 2010
Suspended pursuant to subsection 29(1) because the company has had its MFDA membership terminated effective October 6, 2010.	Members Mutual Management Corp.	Mutual Fund Dealer	October 6, 2010
Change of Category	Mulvihill Capital Management Inc./Gestion De Capital Mulvihill Inc.	From: Mutual Fund Dealer, Exempt Market Dealer and Portfolio Manager To: Mutual Fund Dealer, Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	October 6, 2010
Voluntarily surrender of registration	Members Mutual Management Corp.	Mutual Fund Dealer	October 7, 2010
Consent to Suspension (s. 30 of the Act - Surrender of Registration)	Comgest SA	Exempt Market Dealer	October 8, 2010
New registration	Pinnacle Wealth Brokers Inc.	Exempt Market Dealer	October 12, 2010
Consent to Suspension (s. 30 of the Act - Surrender of Registration)	Origin Capital Management Ltd.	Portfolio Manager Exempt Market Dealer	October 13, 2010

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.3 Clearing Agencies

13.3.1 CDS – Notice of Effective Date – Technical Amendments to CDS Procedures – Housekeeping Items

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

HOUSEKEEPING ITEMS

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

Please find attached proposed amendments to CDS Participant Procedures concerning Housekeeping items.

Access the proposed amendments to the CDS Procedures on the User documentation revisions web page (http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open) and to the CDS Forms (if applicable) on Forms online (Click View by Form Category and in the Select a Form Category list, click External review) on the CDS Services web page (www.cdsservices.ca).

Description of Proposed Amendments

The proposed amendments below are housekeeping amendments made in the ordinary course of review of CDS's Participant Procedures.

- In Participating in CDS Services:
  - In chapter 1, remove references to Rules numbers
  - In chapter 3, make corrections to New York Link Monitoring service and TRAX – transfer requests alerts, and amend New York Link Monitoring service description
  - In chapter 4, update Password Entry Panel screen
  - In chapter 5, update Inquire – Support – Company Details screen for addition of Company Legal Name and Money Market Eligibility Ind fields
- In CDSX Procedures & User Guide:
  - In chapter 3, remove references to Rules numbers
- In forms:
  - Delete obsolete CDS REGSHO Rule 144 Update Form (CDSX830)
  - In Application for Participation: Appendix F, Calculation of Entrance Fees (CDSX796), clarify tax fields
  - In InterLink Service – Messages Request (Custodian) (CDSX757) and Application for Use by a Marketplace Requesting Designation as a Source of Exchange Trades in CDSX (CDSX818), make minor adjustments for consistency with procedures

CDS Procedure Amendments are reviewed and approved by CDS's Strategic Development Review Committee ("SDRC"). The SDRC determines or reviews, prioritizes and oversees CDS-related systems development and other changes proposed by participants and CDS. The SRDC's membership includes representatives from the CDS Participant community and it meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on September 16, 2010.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are amendments required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as amended on November 1, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de dépôt et de compensation CDS inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that the proposed amendments will become effective on a date subsequently determined by CDS, and as stipulated in the related CDS Bulletin.

D. QUESTIONS

Questions regarding this notice may be directed to:

Susan Cluff
Manager, Information Design & Documentation
Information Design & Documentation
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9

Telephone: 416-365-8503
Fax: 416-365-0842
Email: scluff@cds.ca

13.3.2 CDS – Notice of Effective Date – Technical Amendments to CDS Procedures – WR961 Separate IRS Filings at Ledger / EIN Level

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

WR961 SEPARATE IRS FILINGS AT LEDGER / EIN LEVEL

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

Currently, CDS performs annual 1042-S withholding tax reporting to the IRS for its participants that are Qualified Intermediaries (QIs) by compiling tax transactions for the participant's entire ledgers rolled up to the company level. Since IRS QI codes are assigned to individual IRS Employer Identification Numbers (EINs)[1] and a CDS participant company can have more than one EIN, CDS was asked to revise its reporting to allow participants to receive their tax withholding activities at a more detailed level – at participant ledger or by EIN number.

On a monthly basis, CDS participants are provided with a company-level 1042-S reporting file, which reports cumulatively on U.S. taxes withheld on their behalf for the year (based on their QI status and their tax elections), 1042-S income and any tax information related to the IRS section 302 regulation. Going forward, participants will be able to choose the level at which this information is to be reported – company, ledger or EIN number.

Access the proposed amendments to the CDS Procedures on the User documentation revisions web page (http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open) and to the CDS Forms (if applicable) on Forms online (Click View by Form Category and in the Select a Form Category list, click External review) on the CDS Services web page (www.cdsservices.ca).

Description of Proposed Amendments

The proposed amendments describe the change to level of detail that will be available for the 1042-S reporting file, and will require changes to:

CDSX Procedures and User Guide
Chapter 8: 1042-S reporting – detail file

CDS Procedure Amendments are reviewed and approved by CDS's Strategic Development Review Committee ("SDRC"). The SDRC determines or reviews, prioritizes and oversees CDS-related systems development and other changes proposed by participants and CDS. The SDRC's membership includes representatives from the CDS Participant community and it meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on September 16, 2010.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as amended on November 1, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépot et de Compensation CDS Inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that the proposed amendments will become effective on a date subsequently determined by CDS, and as stipulated in the related CDS Bulletin.

[1] An Employer Identification Number (EIN), also known as a Federal Tax Identification Number, is used to identify a business entity.

D. QUESTIONS

Questions regarding this notice may be directed to:

Laura Ellick
Manager, Business Systems Development & Support
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9

Telephone: 416 365-3872
Fax: 416 365-9625
e-mail: lellick@cds.ca

Chapter 25

Other Information

25.1 Exemptions

25.1.1 Sprott Physical Silver Trust

Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief granted to closed end fund that invests in silver bullion – fund a foreign private issuer and not an investment company in the U.S. – offering primarily intended for U.S. investors – relief granted to permit fund's prospectus to not strictly comply with the form requirements of Form 41-101F2 regarding prescribed headings and order of headings – fund's prospectus will comply with substantive disclosure requirements of Form 41-101F2 – relief granted to permit filing of a final prospectus more than 90 days after the date of receipt for the preliminary prospectus – extension granted until December 31, 2010.

Applicable Legislative Provisions

National Instrument 41-101 General Prospectus Requirements, ss. 2.3(1), 3.1(2) and 19.1.

VIA SEDAR

October 8, 2010

Heenan Blaikie
Bay Adelaide Centre
333 Bay Street, Suite 2900
P.O. Box 2900
Toronto, Ontario
M5H 2T4

Attention: Ora Wexler

Dear Sirs/Mesdames:

Re: Sprott Physical Silver Trust (the "Trust")
Exemptive Relief Application under Part 19 of National Instrument 41-101 General Prospectus Requirements ("NI 41-101")
Application No. 2010/0611, SEDAR Project No. 1605635

By letter dated July 9, 2010 (the **"Initial Application"**), the Trust applied to the Director of the Ontario Securities Commission (the **"Director"**) under section 19.1 of NI 41-101 for relief from subsection 3.1(2) of NI 41-101. The relief is requested only to the extent that the Trust's prospectus does not comply with the headings prescribed by Form 41-101F2 and the headings appear in a different order than that mandated by Form 41-101F2 (the **"Form Relief"**).

By letter dated October 7, 2010 (the **"Subsequent Application"**), the Fund applied to the Director pursuant to section 19.1 of NI 41-101 for relief from the operation of subsection 2.3(1) of NI 41-101, which prohibits an issuer from filing a prospectus more than 90 days after the date of the receipt for the preliminary prospectus (the **"Filing Relief"**).

This letter confirms that, based on the information and representations made in the Initial Application and for the purposes described in the Initial Application, the Director intends to grant the Form Relief to be evidenced by the issuance of a receipt for the Trust's prospectus.

This letter also confirms that, based on the information and representations made in the Subsequent Application, and for the purposes described in the Subsequent Application, the Director grants the Filing Relief to be evidenced by the issuance of a receipt for the Trust's prospectus, provided the Fund's final prospectus is filed no later than December 31, 2010.

Yours very truly,

"Vera Nunes"
Assistant Manager, Investment Funds Branch

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