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VIA EMAIL

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Dear Sirs:

Re: Comments on Proposed NI 51-103

We have the following comments in response to the specific questions that you have posed regarding NI 51-103. The numbers of our paragraphs correspond to the numbers listed in your list of questions.

Mid-year Financial Reporting

1. We support the proposal to eliminate the requirement to file 3 and 9 month interim financial reporting requirements. We believe that doing so will reduce the regulatory burden on venture issuers without harming investor ability to access the issuer. However, we are of the view that in cases where the issuer decides to disclose partial financial information to the public, the partial information should be backed up by financial statements. Disclosure of financial information that is of the kind that would be in

financial statements (such as gross revenue) would be a "trigger", much like a NI 43-101 technical report trigger, so that the context of the financial information could be reviewed. Where an issuer, for example, announces that it has $X in revenue for the quarter, the financial statements should be available for anyone to review in order to put the specific number in context.

2. We are of the view that the changes to the BAR reporting requirements are substantial and warrant changing even if the financial statement requirements remain as they are.

3. We believe that full financials are not necessary for the 3 and 9 month quarters, but we believe that investors should be informed of cash on hand and shares issued during those periods. In addition, we believe that fully diluted share position is very important, with detail about the number of options or warrants exercisable at each price and for how long. No MD&A should be required, as that does not meaningfully change each 3 months for most venture issuers, but whatever financial information is provided should be backed up by CEO and CFO certifications to help ensure its accuracy.

Other financial statement requirements

7. We consider the 100% threshold to be the appropriate one. Where a new business of the issuer is more significant by market cap value than the current business, that is when a BAR with audited financial statements would be useful and necessary. We agree that it is the threshold of a truly significant acquisition for a venture issuer. In addition, we would ask that the carve-out for an acquisition that does not constitute a "business" be made clear: where a property or assets are purchased that are not a business it should be clear that audited financials are not required. That is the current policy but better guidance is required.

8. Other than the working capital figure, pro-forma financial statements are most often a mathematical exercise that is not particularly useful. If a potential investor wants to know the combined financial information of an acquirer and its target, that investor can do the math. We are of the view that pro-forma financials were much more useful when the accounting standards relied more on judgement than they do today. Today, accounting is primarily by rule and issuers have very little discretion to choose one accounting treatment over another. With those judgement calls gone, mathematics takes over and the utility of pro-formas fades.

9. We agree that the exemption permitting only one year of audited financial statements ought to be expanded to apply to all venture issuers. By nature and definition, venture issuers are generally in a state of change. They are exploring or developing. What happened financially 2 years ago is generally not relevant to venture issuers because since then they have raised financing, gone to another project, added or dropped substantial assets, etc. Several years of financial statements are definitely appropriate for senior issuers whose small trends make a difference to current and future profit. With venture issuers which do not yet have stable revenues and costs, these trends are less important and so is the need for reliable historical information.

Governance Requirements and Executive Compensation

10. We are of the view that 20% or greater control persons are not independent of management and if the purpose of the rule is to ensure that audit committees be comprised of independents, control persons should not be counted as independent. There are very few cases in our experience with venture issuers where a major shareholder is not intimately involved in management.

11. We think it should be presumed that persons who want detailed information about an issuer are able to use the internet and that an internet link from one document to another containing the compensation information or a website address should be sufficient.

12. Grant date FMV of stock options and current value assessment is, in our view, a misleading way to measure compensation, because of the volatile nature of the stock price of a venture issuer. Additionally, when an option holder does not exercise his/her options in a year, the compensation is reported again in the next year even though it is actually a duplication, because the compensation was not "paid" in the prior year in any sense of that word. We believe that the current regime of measuring the value of stock option compensation for both venture and senior issuers is seriously flawed and any change that would bring the calculations more in line with actual compensation would be welcomed.

13. Because of the nature of what a CPC can and cannot do, the only useful financial information regarding a CPC is cash on hand. CPCs should be exempted from other financial report requirements.

We hope you find these comments of use.

Yours truly,

CLARK WILSON LLP

Per: 

Bernard Pinsky
Incorporated Partner

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