Burnet,
Duckworth
& Palmer LLP
Law Firm

Reply to: Edward B. Brown
Direct Phone: **(403) 260-0298**
Direct Fax: **(403) 260-0332**
ebb@bdplaw.com

Assistant: Tammy Noble
Direct Phone: **(403) 260-0132**

Via Electronic Correspondence to Addressees Indicated in Schedule B

October 27, 2011

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
Nova Scotia Securities Commission
PEI Office of the Superintendent of Consumer,
Corporate and Insurance Services Division
Office of the Superintendent of Securities,
Government of Newfoundland and Labrador
Department of Community Services,
Government of Yukon
Office of the Superintendent of Securities,
Government of the Northwest Territories
Legal Registries Division, Department of Justice,
Government of Nunavut

Dear Sirs:

Re: Notice and Request for Comment – Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 45-106 *Prospectus and Registration Exemptions* and Proposed Related Consequential Amendments

We are responding to the Canadian Securities Administrators (the "**CSA**") Notice and Request for Comment – Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (the "**Proposed Instrument**") and Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 45-106 *Prospectus and Registration Exemptions* and Proposed Related Consequential Amendments dated July 29, 2011 (the "**Request**"). The comments provided herein are those of a number of practitioners in our securities group and are not those of Burnet, Duckworth & Palmer LLP or its clients.

For the purposes of this letter we have provided responses to each of the specific questions set out in the Request and we have provided general drafting comments in Schedule A.

For ease of reference, we have duplicated the specific questions set out in the Request and have placed our responses in bold italics.

Mid-Year Financial Reporting

1. Do you support the proposal to replace the requirement to file three and nine month interim financial reports (and associated MD&A) with a prescribed framework for voluntary three and nine month financial reporting?

    a. If you support this proposal, why? What are the benefits?

    b. If you do not support this proposal, why not? What are your concerns?

    We generally support the requirement to replace the mandatory requirement to file three and nine month interim financial reports (and associated MD&A) with a prescribed framework for voluntary three and nine month financial reporting; however, we note that there may be some drawbacks to implementing the proposal for issuers and we believe other market participants such as issuers and dealers may be in better position to provide a meaningful response to this inquiry.

    We support the requirement as allowing venture issuers the option of not filing three and nine month financial reports would allow many venture issuers to dedicate additional time and resources to developing their businesses. In addition, for many venture issuers the three and nine month reports provide limited useful information to investors and such venture issuers have limited resources to focus on the preparation of these financial reports.

    We believe the elimination of the three and nine month financial reporting requirements would be most beneficial to small market capitalization venture issuers and venture issuers not requiring additional capital in the near term. Many venture issuers with large market capitalizations require comparability to issuers listed on the Toronto Stock Exchange ("TSX") and therefore we believe such issuers will continue to prepare and file three and nine month financial reports. In addition, we believe that issuers (regardless of size) who are in need of money from the capital markets will likely be required by underwriters/agents or investors to prepare and file three and nine month financial reports (depending on the timing of the financing). To the extent that an issuer has not prepared the three and nine month financial reports and is trying to raise capital it may place such issuer at a disadvantage and may require such issuer to delay such financing until such time as such financial reports can be prepared.

2. If we choose not to eliminate mandatory quarterly financial reporting, are the other elements of the Proposed Instrument significant enough to justify changing the venture issuer regulatory regime?

    No. Although there are other advantages to the Proposed Instrument, without the elimination of mandatory quarterly financial reporting, the costs of implementing the new regime and the challenges that venture issuers (and other market participants) will face learning the new regime will outweigh any potential benefits. In addition, many of the beneficial features of the Proposed Instrument (for instance, the changes to the significant acquisition reporting requirements) could be worked into the existing regulatory regime without requiring an entirely new regime to be implemented.

3. If you do not support the proposal to replace the requirement to file three and nine month interim financial reports and associated MD&A with a prescribed framework for voluntary three and nine

month financial reporting, do you think it is necessary for venture issuers to file full financial statements and MD&A for their first and third quarters?

a. If you think full financial statements are necessary, why do you think so? Specifically, how do you use this information?

b. If you do not think that full financial statements are necessary, is there something other than full financial statements that could provide you with the information that is necessary or relevant for your purposes? Please specify what financial or other information would suffice and explain why.

c. Does the information noted in (b) vary for issuers based on industry, size or whether the issuer generates revenues? If so, please explain.

As noted in our response to question 1, we do support the elimination of the requirement to file three and nine month financial reports; however, as noted, such elimination may only benefit certain venture issuers depending on their size and their capital requirements. We do not believe that it would be beneficial to impose alternative reporting requirements (other than full financial statements) for the three and nine periods as this would impose an entirely new reporting requirement on venture issuers which would reduce any benefit of the elimination of the requirement to file three and nine month financial reports. In addition, the other continuous disclosure obligations of the Proposed Instrument and other applicable securities laws as well as stock exchange rules would require venture issuers to disclose material information and material changes between the annual report and the mid-year report and therefore a new requirement for an alternative three and nine month report would have limited utility.

4. If venture issuers were not required to file first and third quarter financial statements, would this deter you from investing in all venture issuers? Why or why not?

We believe that other market participants may be able to provide more meaningful feedback with respect to this question.

5. If you currently invest in issuers in jurisdictions that prescribe semi-annual reporting, please explain why you are comfortable doing so, particularly if you oppose the elimination of mandatory first and third quarter financial statements.

We believe that other market participants may be able to provide more meaningful feedback with respect to this question.

6. Would it be less burdensome, or would there be significant time savings, to prepare some subset of quarterly financial reporting, or would the work required to prepare alternative quarterly financial reporting be as onerous as preparing interim financial statements?

As noted in our response to question 3, we believe that preparing some subset of quarterly financial reporting would be just as onerous, or possibly more onerous, because of the requirement for issuers, counsel and other market participants to learn a new reporting requirement than preparing interim quarterly financial statements. In addition, as noted above, relevant information would be required to be filed pursuant to other continuous disclosure obligations of venture issuers between the annual and mid-year report and therefore an alternative quarterly financial report would be of limited utility.

Other financial statement requirements

7. The Proposed Instrument eliminates the requirement to file business acquisition reports (BARs) for significant acquisitions. Instead, it requires venture issuers to provide financial statements of an acquired business if the value of the consideration transferred equals 100% or more of the market capitalization of the venture issuer. Is 100% the correct threshold?

   a. If you think that 100% is the correct threshold, explain why.

   b. If you do not think that 100% is the correct threshold, explain why. Should the threshold be lower? Please provide your views on an alternative threshold, with supporting reasons.

   c. Should financial statements be required at all for these transactions?

   We believe that other market participants may be able to provide more meaningful feedback with respect to this question; however, we do support raising the threshold for financial statement reporting for acquisitions for venture issuers. There may be benefits to removing the requirement for financial statements regardless of the significance of the acquisition; however, we do recognize that in some circumstances such financial statements provide useful information for securityholders and investors. If there are any financial statement requirements for acquisitions, the 100% threshold is appropriate as it matches the current concept for determining when an acquisition is the acquisition of a primary business under NI 41-101.

8. The Proposed Instrument does not include a pro forma financial statement requirement for acquisitions that are 100% significant. Do pro forma financial statements provide useful information about acquisitions that is not provided elsewhere in the venture issuer's disclosure?

   a. If you are of the opinion that pro forma financial statements do provide useful information, specifically, what information do they provide and how do you make use of that information?

   Although other market participants may be in a better position to provide more meaningful feedback with respect to this question, in most instances we do not believe that pro forma financial statements provide useful information that is not otherwise available or readily determinable from other financial statement disclosure requirements.

9. The proposed long form prospectus form for venture issuers provides the subset of "junior issuers" with an exemption that allows them to provide only one year of audited financial statements together with unaudited comparative year financial information in their IPO prospectus. This is consistent with current requirements for junior issuers under Form 41-101F1. Should this exemption be expanded to apply to all venture issuers?

   a. If you think the exemption should be expanded, explain why.

   b. If you do not think that the exemption should be expanded, explain why.

   We believe that other market participants may be able to provide more meaningful feedback with respect to this question.

Governance requirements and executive compensation disclosure

10. The Proposed Instrument requires an audit committee to be composed of at least three directors, a majority of whom are not executive officers or employees of the venture issuer or an affiliated entity of the venture issuer. Should control persons be added to this list, similar to section 21(b) of Policy 3.1 of the TSX Venture Exchange Corporate Finance Manual?

    a. If you think that control persons should be added, explain why.

    b. If you do not think that control persons should to be added, explain why.

    We do not believe that control persons should be added to the list. In many circumstances, the interests of control persons are not necessarily aligned with the interest of management of a venture issuer. Like many other shareholders and stakeholders, control persons generally have an interest in ensuring accurate financial reporting. Eliminating control persons as potential independent candidates for the audit committee will result in the pool of potentially qualified candidates being reduced. Venture issuers already have a difficult time attracting qualified candidates to serve as directors and therefore efforts should be taken not to reduce the ability of venture issuers to attract qualified persons to act as independent directors any further.

    We do agree that in certain circumstances there may be factors that prevent a control person from exercising independent judgment if they were to serve on the audit committee; however, rather than a deemed determination that such persons are not independent a better approach may be to adopt the test from section 1.4 of National instrument 52-110 – Audit Committees which requires a board of directors to make determination as to the independence of potential candidates for audit committees based on whether there is a "material relationship" which could be reasonably expected to interfere with the exercise of a member's independent judgment.

11. The Proposed Instrument requires that director and executive officer compensation as well as corporate governance disclosure be provided in a venture issuer's annual report instead of in its information circular. The information circular directs investors to the issuer's annual report for this information. We are attempting to reduce duplication for venture issuers, but want to balance that goal with ensuring that investors have adequate information available for decision making purposes, namely when they make their decision to elect directors.

    a. Should venture issuers be required to duplicate director and executive officer compensation disclosure in the document that shareholders have on hand when they vote for directors, the information circular?

        i. If you think that executive compensation and corporate governance disclosure should be provided in both the annual report and the information circular, explain why.

        ii. If you do not think that it is necessary to provide executive compensation and corporate governance disclosure in both the annual report and in the information circular, explain why.

    We do not believe it is necessary or desirable to duplicate director and officer compensation and corporate governance disclosure in both the annual report and the information circular. We believe most investors are familiar enough with SEDAR and public disclosure on websites that they can access such director and officer compensation and corporate governance disclosure prior to any

meeting to vote for directors regardless of where the information is disclosed, especially if the information circular notes that such information is available in the annual report. In addition, duplication of the disclosure increases the chance for errors and does not provide any additional relevant disclosure.

Although we understand and appreciate the goal of trying to consolidate all of the material disclosure about an issuer in one document, we question whether moving the director and officer compensation and corporate governance disclosure from the information circular to the annual report will be beneficial to venture issuers or venture issuer investors. Most investors are accustomed to reviewing the director and officer compensation and corporate governance disclosure in issuers' information circulars. In addition, regardless of whether the Proposed Instrument is brought into force, non-venture issuers will continue to be required to include director and officer compensation and corporate governance disclosure in their information circulars. Investors may have more difficulty in locating the disclosure if it is in different locations for venture and non-venture issuers. In addition, we do not believe disclosing the information in the annual report provides any additional benefits to issuers as they will need to prepare the disclosure regardless of where the information is required to be disclosed. Finally, if there is a concern that the disclosure is most relevant for investors prior to voting on directors then the disclosure should be included in the information circular and not the annual report.

12. In the Proposed Instrument, we have replaced the requirement to disclose the grant date fair value of stock options or other securities-based compensation in the executive compensation disclosure with a requirement to disclose other details about stock options, including amounts earned on exercise. We made this change as a result of feedback received regarding the relevance and reliability of the grant date fair value of stock options for venture issuers. Does specific disclosure of the grant date fair value and the accounting fair value of stock options or other securities-based compensation provide useful information for venture issuers? If so, please explain.

Although we believe that other market participants may be able to provide more meaningful feedback with respect to this question, we generally support the elimination of the requirement to disclose the grant date fair value of stock options as such disclosure does not provide useful information for various reasons including as a result of how such value is calculated, for small illiquid issuers with high stock volatility it may distort views of costs.

General disclosure requirements

13. The Proposed Instrument would permit a capital pool company (CPC) to satisfy certain of its annual report disclosure obligations by referring to disclosure previously provided in its initial public offering prospectus. Should CPC's be exempted from further aspects of the annual or mid-year report requirements? If so, which requirements?

Yes, we believe that much of the required disclosure in the annual report and the mid-year report is irrelevant for investors in capital pool companies. The only likely relevant disclosure for investors in capital pool companies is how much money has been spent by the capital pool company since the last report, how that money has been spent and if there have been any material changes in the information disclosed in the initial public offering prospectus (i.e., a change in the composition of the board of directors or management). The more onerous the disclosure requirements are for a capital pool company, the more money that such a company is required to expend to comply with such requirements. As more onerous disclosure requirements provide very little additional relevant information for investors, the costs of preparing such information should be enough to outweigh

any potential benefit. We believe that most of the relevant disclosure for capital pool companies can be met by capital pool companies providing financial statements with appropriate notes supplemented by material change disclosure.

Further comments invited

14. We also invite further comment. If you have suggestions about additional steps that we could take to tailor a regulatory regime that is directed at the venture market, please provide them.

Although we have not performed a detailed analysis of every aspect of the drafting of the Proposed Instrument and the related proposals, we have provided a summary of some of the key issues we have noted in Schedule A to this letter. In addition, the following are some general comments on the Proposed Instrument.

As noted in our previous comment letter on CSA Multilateral Consultation Paper 51-403, we applaud the efforts of the CSA in attempting to improve both the quality of venture issuer disclosure as well as streamlining the disclosure requirements for venture issuers to decrease the costs and time required to comply. In addition, we note that the CSA has made a number of improvements to the proposed new regime for venture issuers based on the comments received in response to Multilateral Consultation Paper 51-403 and we appreciate the willingness of the CSA to consider and respond thoughtfully to such comments.

We do still have some general concerns with respect to the implementation of the proposed new regime for venture issuers. One of our main concerns is the inability of a venture issuer to opt-in to complying with the regime for non-venture issuers instead of being limited to the regime for venture issuers. We note that many venture issuers prefer to tailor their disclosure to replicate the disclosure of non-venture issuers as many of their peer companies are companies that are listed on the TSX. Investors are accustomed to seeing disclosure in a certain manner and having that disclosure easily comparable to other companies that they are interested in investing in. To the extent disclosure documents are different for venture issuers from those for non-venture issuers, it may significantly harm such venture issuers' ability to raise additional capital.

Many venture issuers who would like comparability to non-venture issuers are at the stage where they could graduate to the TSX but they have chosen not to because they still wish to take advantage of some of the benefits of listing on the TSX Venture Exchange ("TSXV"). Not allowing venture issuers with the ability to opt-in to the regime for non-venture issuers may result in a number of issuers listed on the TSXV applying to list on the TSX earlier than they otherwise would. To the extent that there are certain requirements in the proposed regime the CSA believes are important for all venture issuers regardless of size, the CSA could still allow venture issuers to opt-in to the reporting regime for non-venture issuers but provide that an issuer that chooses to opt-in to the regime for non-venture issuers supplement their disclosure with certain of the disclosure requirements for venture issuers. If an ability to opt-in to the regime for non-venture issuers is not incorporated into the Proposed Instrument, the detrimental effect that the new regime will have on certain venture issuers may outweigh any potential benefits of the new regime.

Finally, we note that although one of the goals of the Proposed Instrument is to make the disclosure requirements for venture issuers more manageable, complying with the requirements for annual and mid-year reports, will require significant dedication of time and resources for venture issuers - especially in the first few years after implementation of the Proposed Instrument. The disclosure required in the annual report goes far beyond the current baseline disclosure requirements for

venture issuers. In addition, as much of the disclosure required in an annual report is significantly different from the disclosure required in an annual information form, even for venture issuers who currently file annual information forms, the preparation of the initial annual report will require a significant dedication of time and resources.

We would be happy to expand upon any of the foregoing at your convenience and thank you for the opportunity to comment. If you wish clarification on any of the foregoing please feel free to contact Ted Brown or Michael Eldridge of our office at your convenience.

Yours truly,

"*Burnet, Duckworth & Palmer LLP*"

cc: Burnet, Duckworth & Palmer LLP
Attn: Securities Group

SCHEDULE A
SUMMARY OF GENERAL DRAFTING COMMENTS

As noted in the main body of our letter, we have not performed a detailed analysis of every aspect of the drafting of the Proposed Instrument and the related forms; however, the following summary provides a description of some of the key drafting issues we noted in our review of the Proposed Instrument and related forms:

NI 51-103

Section 1(1) - Definitions

Definition of "founder" – The definition of founder is not consistent with the definition of founder used in other instruments. We question the need to use the definition of founder at all in the Proposed Instrument and if it is used we believe it should be consistent with the definition in other instruments.

Definition of "material contract" – We believe this definition is overly broad and will capture a number of agreements which are not intended to be captured. In particular subsection (b) of the definition does not even require the contract to be material to the venture issuer. As a result, every single contract (other than employment agreements) entered into between a venture issuer and any of its directors, officers or founders will be captured, including standard indemnity agreements, stock option agreements and other non-material ordinary course contracts. In addition, although we recognize that administration agreements are already included in the concept of material contracts in NI 51-102, it may be helpful to provide some guidance as to what this is intended to capture as it could be misconstrued to capture a wide range of non-material contracts.

Definition of "material related entity transaction" – We question whether it is advisable to include subsection (a) of this definition as it requires venture issuers and their advisors to refer to the issuer's GAAP to determine whether a transaction is a material related entity transaction. This may prevent an issuer from receiving quick concrete advice to help make a determination as to whether something is a material related entity transaction.

Definition of "related entity" – We believe this definition is far too broad which will make it very difficult to make determinations of whether a person or a company is a related entity of another person or company. As an example, subsection (e) of the definition results in all insiders of insiders of the venture issuer being considered related entities. As the definition of insiders is already extremely broad, this inclusion in the definition potentially will capture a very large group of persons or companies making it difficult for a venture issuer to ascertain all the persons or companies who will be captured. We also question the need to include entities in which directors or officers of the venture issuer are also directors or officers pursuant to subsection (c). Although we agree such directors and officers should refrain from voting as a director on a transaction involving another entity in which they serve as a director or officer, we do not believe it is necessary to classify such entities as related entities unless a director or officer holds a material interest in such entity. In addition, as noted above pursuant to our comments on the definition of "material related entity transaction", we question whether it is advisable to have a requirement to refer to an issuer's GAAP to make a determination of whether an entity is a related entity. In general, we believe this definition, as well as the definition of material related entity transaction, should be carefully considered and revised. It may be helpful to look at the definition of "related party" in Multilateral Instrument 61-101 as this definition contains appropriate understandable guidelines as to when a person or company is considered related.

Definition of "restructuring transaction" – The main issue we have with this definition is the guidance following the definition as to the meaning of "new securityholders" is unclear and confusing. In particular, the wording "…and beneficial owners that held some securities in the venture issuer before the transaction, but who now, as a result of the transaction, own more than 50% of the outstanding voting securities" is confusing because of the word "some". The word some could mean that such holders held anywhere from 1% to 100% of the voting securities prior to the transaction and as a result the definition would capture a number of transactions which are unintended to be captured.

Section 4 – Conflicts of Interest and Material Related Entity Transactions

With respect to the conflict of interest provisions contained in the Proposed Instrument, we question the need to include this provision in the Proposed Instrument as corporate legislation would typically apply in most cases and specifically prescribes steps to be taken by corporations when dealing with conflicts of interest. We also would question the wording of the provisions as currently drafted as there is a mandatory obligation in the rule that is unclear while the Guidance sets forth what should be done to implement the same.

Section 6 – Trading Policies

We are generally supportive of the idea that venture issuers establish policies to prevent or reduce the likelihood of insider trading. However, based on similar reasoning for our comment with respect to Section 4, we do not support the proposed wording in Section 6 of the Proposed Instrument where there is a mandatory obligation to "take steps reasonably designed to become aware of and deter or prevent each person or company...". The requirement appears to be set forth in the Guidance and this should be in the rule if this is the intent – i.e., to establish a trading policy or procedure as outlined, rather than a statement that the issuer must take steps reasonably designed to deter persons or companies from insider trading. In addition, we question the wording in Section 6 which requires the venture issuer to take reasonable steps to become aware of a person or company in a special relationship with the venture issuer that has carried out any prohibited activity relating to insider trading. It leads to a question of what the venture issuer should do if it does become aware of such activity.

Section 12 – Delivery Options for an Annual Report or Mid-Year Report

In Section 12(c)(ii)(C), as well as in several other sections of the Proposed Instrument, we note the provision that venture issuers provide a toll free number for registered shareholders to call to obtain documents. We question the need for venture issuers to provide a toll free number when in most instances in securities legislation (for instance in item 16 of Form 51-102F5) where an issuer is required to provide contact information for the purposes of a securityholder or potential investor obtaining additional information there is no requirement to provide a toll free number. We believe there is limited benefit to securityholders for venture issuer to provide a toll free number, especially when all of the documents are available on SEDAR, and there will be extra cost and burden for a venture issuer to either set up a toll free number or to ensure that procedures are in place to accept collect calls from securityholders.

Section 13 – Interim Financial Reports for Optional Interim Periods

In subsection 13(4) it may be helpful to clarify that even if a venture issuer issues and files a news release announcing its intention to cease filing interim financial reports for optional interim periods in accordance with this subsection, it cannot cease filing such reports until after it has filed the interim financial reports for all the periods specified in subsection 13(3).

Section 16 – Delivery Options for Information Circular and Proxy Related Material

We are generally supportive of implementing options for notice and delivery of information circulars and proxy related materials; however, we do note that many corporate statutes will prevent issuers from taking full advantage of such options.

Section 21 –Filing Deadline for Report of Material Change, Material Related Entity Transaction or Major Acquisition

The words underlined in the following phrase should be added to subsection 21(2): "Despite subsection 20(2) and subsection 21(1)…" to clarify that a report filed under section 20 can exclude the financial statements required under section 20(2) provided that the financial statements are filed within the period specified in subsection 21(2).

Form 51-103F1

Section 15 – Corporate Structure

In addition to requiring venture issuers to disclose each subsidiary entity, Section 15 also requires disclosure of each party with whom the venture issuer participates in a joint venture or partnership. Despite the guidance in section 2 of Form 51-103F1 to focus on materiality, we believe the inclusion of every joint venture or partnership in which a venture issuer is a party in the disclosure required under Section 15 will be overly inclusive unless there is some exclusion for non-material or in-the-ordinary course of business joint ventures and partnerships. Many venture issuers, and in particular oil and gas venture issuers, may have many joint ventures or partnerships that they are undertaking with other parties which are immaterial in nature or entered into in-the-ordinary course of business. One option to make the requirements clearer with respect to this section is to include guidance (similar to the instruction provided under Item 3 of Form 51-102F2) which set a percentage threshold to determine whether a subsidiary, joint venture or partnership could be omitted. In addition, it may not be necessary to explicitly include partnerships in this section as partnerships fall under the definition of subsidiary entities and therefore would already be required to be disclosed under section 15 if such entities are controlled by the venture issuer. Finally, any material joint venture or partnership agreement would likely also constitute a material contract and would be disclosed pursuant to other sections of the Form.

Section 16 – Business Description

The disclosure required under subsection 16(4) of this section is overly broad and is duplicative of the disclosure required under Part 6 of Form 51-101F1. In particular this section requires disclosure of each interest or property related to oil and gas activities of a venture issuer without any concept of materiality or importance (the term "important properties" is used in Item 6.1 of Form 51-101F1). In addition, requiring disclosure under subsection 16(4)(c) with respect to the nature of the venture issuer's title or interest in a property including when and how the title to such interest or property was acquired, the consideration to be paid and the party from who the title was acquired could be very burdensome for venture issuers. In any one principal area that an oil and gas issuer has interests such oil and gas issuer may have acquired its interest in a number of different transactions, at a number of different times, in a number of different manners and from a number of different parties. As an example, they may have acquired certain of their interests in land sales, pursuant to farm-in agreements and possibly corporate acquisitions. In addition, in a number of instances the venture issuer may not be legally allowed to disclose the other parties to such transactions due to confidentiality provisions.

Sections 6.1 and 6.2 of Form 51-101F1 already require oil and gas issuers to disclose certain information about both their important properties and their unproved properties. The requirements in subsection 16(4) are duplicative of and also conflict with the requirements of Sections 6.1 and 6.2 of Form 51-101F1. If further disclosure is required or desired with respect to issuers' oil and gas properties it may be advisable to propose those changes in NI 51-101 rather than in the Proposed Instrument.

Section 17 – Two Year History and MD&A in an Annual Report

We believe that subsection 17(2)(c) essentially mandates the disclosure of non-GAAP measures by venture issuers. We question the advisability of implementing such a requirement as it would appear to contradict the general approach that the CSA has taken to discourage non-GAAP measures from being disclosed as such measures may not have standardized meanings. The requirement also places extra disclosure burdens on venture issuers as such non-GAAP measures will be required to be accompanied by all of the required disclosure for non-GAAP measures under subsection 17(2)(e). Although we do believe that the disclosure of non-GAAP measures should be allowed, provided that the necessary disclosure explaining the non-GAAP measures are also included, we do not believe it is advisable to make it a requirement to disclose non-GAAP measures. Finally, we question the use of the word "typically" in subsection 17(2)(c) as it will be difficult for management of a venture issuer to assess which key operating statistics and measures are "typically" used for an entire industry as many issuers and analysts likely use different statistics and measures.

Section 18 – Business Objectives, Performance Targets and Milestones

Although many ventures issuers do provide guidance which disclose performance targets for the upcoming year, the requirement to disclose such targets may be burdensome and carry with it inherent risk for the venture issuers to the extent that such performance targets are not achieved. It will also require the venture issuer to provide regular updates when the expectations as to the achievability of such performance targets change, which places additional burdens on reporting issuers. We believe that the disclosure of such performance targets should be a voluntary decision of venture issuers.

Section 27 – Reporting Insiders

Although we do not object to the requirement to identify and disclose the "reporting insiders" of venture issuers, we don't believe it is necessary to include subsection 27(2) in the Proposed Instrument. Any person or company who is required to be disclosed under subsection 27(2), would fall within the definition of "significant shareholder" under NI 55-104 and would thereby already fall within the definition of "reporting insider" and be required to be identified and disclosed under subsection 27(1).

Section 41 – Governance and Ethical Conduct

We question the need for this requirement as for the majority of venture issuers it would result in boilerplate disclosure of the statutory duties of directors or officers which would have limited utility for most investors. It may be advisable to only include this requirement for venture issuers not incorporated under a Canadian corporate statute.

Form 51-103F2

Section 7 – Date of Material Change, Material Related Entity Transaction or Major Acquisition

We question the relevance of disclosing the date of the decision to implement a material related entity transaction under subsection 7(b). In addition, it is not clear if the decision in this case is the decision of management or the board of the venture issuer.

Section 12 – Additional Disclosure for Material Changes to Prior Oil and Gas Activity Disclosure

The requirements of this section are duplicative and slightly different from the requirements of Part 6 in NI 51-101. Given the requirements of Part 6 of NI 51-101 there is probably no need to include this requirement in this Form.

Form 51-101F4

Section 14 – Cease Trade Orders, Penalties, Sanctions and Bankruptcies of Proposed Directors

The disclosure requirements under this section are slightly different than the current disclosure requirements under Section 7.2 of Form 51-102F5 as well as the proposed disclosure requirements under subsection 29(4) of Form 51-103F1. In particular, in some instances the disclosure of cease trade orders and bankruptcies is only required if a director or executive officer of the venture issuer was a director, CEO or CFO of an entity that was subject to a cease trade order or bankruptcy and in other instances the disclosure is required if a director or executive officer of the venture issuer was a director or any executive officer of an entity that was subject to a cease trade order or bankruptcy. It is not clear to us the rationale for the different disclosure thresholds and we believe that the language in the different Forms should be consistent.

SCHEDULE B

Ashlyn D'Aoust
Legal Counsel, Corporate Finance
Alberta Securities Commission
Calgary, Alberta T2P 0R4
Fax: (403) 297-2082
ashlyn.daoust@asc.ca

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montreal, Quebec, H4Z 1G3
Fax: (514) 864-6381
consultation-en-cours@lautorite.qc.ca