

Schedule B-2

Amendments to Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements*

1. *Companion Policy 41-101CP Companion Policy to National Instrument 41-101 General Prospectus Requirements is amended.*
2. *Section 1.3 is amended by adding the following after subsection (2):*

Accounting terms

- (3) The Instrument uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that NI 14-101 provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern prospectuses; or (b) the context otherwise requires.

Acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises

- (4) If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, then the issuer may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

Financial statements prepared in accordance with different accounting principles

- (5) Issuers intending to include financial statements that are prepared in accordance with different accounting principles should consider the guidance in section 2.8 of Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards*.

Rate-regulated activities

- (6) If a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of NI 52-107, then the qualifying entity may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook..

3. ***Subsection 4.3(1) is replaced with the following:***

4.3(1) Subsection 6.3(1) of Form 41-101F1 requires disclosure of each of the principal purposes for which the issuer will use the net proceeds. If an issuer has negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the long form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the long form prospectus. The issuer should also disclose whether, and if so, to what extent, the issuer will use the proceeds of the distribution to fund any anticipated negative cash flow from operating activities in future periods. An issuer should disclose negative cash flow from operating activities as a risk factor under subsection 21.1(1) of Form 41-101F1. For the purposes of this section, in determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs..

4. ***Subsection 4.4(1) is amended by replacing “capitalized, deferred or expensed” with “expensed or recognized as assets”.***

5. ***Part 5 is amended by adding the following after section 5.1:***

Presentation of Financial Results

5.1.1 Canadian GAAP applicable to publicly accountable enterprises provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Instrument. (See subsections 32.2(1.1) and 32.3(3) of Form 41-101F1)..

6. ***Section 5.2 is amended***

(a) ***by replacing “annual or interim financial statements” wherever it occurs with “annual financial statements or interim financial report”, and***

(b) ***by adding “financial” before “statements for the purpose”.***

7. ***Section 5.5 is amended by adding the following after subsection (2):***

(3) An issuer is subject to certain additional disclosure requirements when it discloses an interim financial report for a period in the year of adopting IFRS, as set out in subparagraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1. These requirements only apply to interim financial reports relating to periods in the year of adopting IFRS and therefore do not apply if the prospectus includes annual financial statements prepared in accordance with IFRS.

An issuer is required to provide an opening IFRS statement of financial position at the date of transition to IFRS. An issuer with, for example, a year-end of December 31, 2010 that files a prospectus for which it must include its first interim financial report in the year of adopting IFRS for the period ended March 31, 2011, must generally provide an opening IFRS statement of financial position at January 1, 2010.

An issuer must also include various reconciliations required by IFRS 1 to explain how the transition from previous GAAP to IFRS has affected its reported financial position, financial performance and cash flows. In the first interim period IFRS 1 requires certain additional reconciliations which relate to annual periods and the date of transition to IFRS. Where an issuer that was not a reporting issuer in at least one jurisdiction immediately before filing the prospectus includes an interim financial report in respect of the second or third interim period in the year of adopting IFRS, subsection 32.3(4) of Form 41-101F1 requires these additional reconciliations to be included in the prospectus. Alternatively, pursuant to subsection 32.3(4) of Form 41-101F1, the issuer may include the first interim financial report in the year of adopting IFRS as this report includes the required reconciliations.

These additional reconciliations may be summarized as follows:

- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the date of transition to IFRS (January 1, 2010 in the above-noted example);
- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the end of the latest period presented in the issuer's most recent annual financial statements in accordance with previous GAAP (December 31, 2010 in the above-noted example); and
- a reconciliation of the issuer's total comprehensive income (or total profit or loss) presented in accordance with previous GAAP to its total comprehensive income in accordance with IFRS for the latest period in the issuer's most recent annual financial statements presented in the prospectus in accordance with previous GAAP (year ended December 31, 2010 in the above-noted example).

The reconciliations summarized above must give sufficient detail to enable investors to understand the material adjustments to the statement of financial position, statement of comprehensive income and statement of cash flows..

8. ***Subsection 5.6(4) is amended***

- (a) ***by replacing*** “audited interim financial statements” ***with*** “an audited interim financial report”,
- (b) ***by adding*** “comprehensive” ***before*** “income or cash flows”, ***and***
- (c) ***by replacing*** “containing a reservation of opinion” ***with*** “that expresses a modified opinion”.

9. ***Subsection 5.8(2) is amended***

- (a) ***by replacing*** “does not contain a reservation if they were audited in accordance with Canadian GAAS” ***with*** “expresses an unmodified opinion if they were audited in accordance with Canadian GAAS or International Standards on Auditing”,
- (b) ***by replacing*** “U.S. GAAS” ***with*** “U.S. PCAOB GAAS”,
- (c) ***by replacing*** “subsection 6.2(6) of NI 52-107 only applies” ***with*** “subsections 3.12(3) and 4.12(6) of NI 52-107 only apply”,
- (d) ***by replacing*** “reservation relating to opening inventory” ***with*** “qualified opinion relating to opening inventory”,
- (e) ***by replacing*** “contains no reservation and the business” ***with*** “expresses an unmodified opinion and the business”, ***and***
- (f) ***by replacing*** “accompanied by an unqualified auditors’ report” ***with*** “accompanied by an auditors’ report that expresses an unmodified opinion”.

10. ***Section 5.9 is amended***

- (a) ***in subparagraph (1)(h)(iii), by deleting*** “or”,
- (b) ***in subsection (2), by***
 - (i) ***replacing*** “date of acquisition” ***with*** “acquisition date”, ***and***
 - (ii) ***replacing*** “date of the acquisition” ***wherever it occurs with*** “acquisition date”,
- (c) ***in subsection (3), by replacing*** “Our interpretation of the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high” is consistent with the concept of a likely contingency in CICA Handbook section 3290 “Contingencies”. It is” ***with*** “When interpreting the

phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high”, it is”,

(d) *in paragraph (4)(d), by replacing “comparative interim financial statements” with “a comparative interim financial report”, and*

(e) *by adding the following after subsection (6)*

(7) Section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report or prospectus to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. The ability to present acquisition statements using Canadian GAAP applicable to private enterprises would not extend to a situation where an entity acquired or to be acquired is considered the primary business or the predecessor of the issuer..

11. Subsection 6.4(7) is amended

(a) *by replacing “Investment Dealers Association has adopted IDA by-law 29.13” with “Investment Industry Regulatory Organization of Canada has adopted IIROC Rule 29.13”, and*

(b) *by adding “securities” after “whether debt or equity”.*

12. The following is added after Part 6:

PART 7: TRANSITION

Transition – Application of Amendments

7.1 The amendments to the Instrument and this Policy which came into effect on January 1, 2011 only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011..

13. Appendix A is amended by replacing “operating results” wherever it occurs with “financial performance”.

14. These amendments only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

15. Despite section 14, an issuer may apply these amendments to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus, or an amendment to a

final prospectus of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

16. *These amendments become effective on January 1, 2011.*