

**FORM 45-103F1  
OFFERING MEMORANDUM  
FOR NON-QUALIFYING ISSUERS**

**Date**

State: "Dated: [insert the date from the certificate page]"

**The Issuer**

Name:

Head office: Address:

Phone #:

E-mail address:

Fax #:

Currently listed or quoted? [Yes/No] If so, where? [eg. TSE/CDNX]

Reporting issuer? [Yes/No] If so, where?

SEDAR filer? [Yes/No]

**The Offering**

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum state \$0 as the minimum.]

Payment terms:

Proposed closing date(s):

Tax consequences: "There are important tax consequences to these securities. See item 6." [If tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state "See item 7". The name of the selling agent may be stated.]

**Resale restrictions**

State: "You will be restricted from selling your securities for [4 months/12 months/an indefinite period]. See item 10."

**Purchaser's rights**

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel this agreement. See item 11."

State in bold type:

**"No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8."**

[All of the above information must appear on a single cover page. ]

**Item 1 Use of Available Funds**

1.1 **Net Proceeds and Available Funds** - Using the following table disclose the net proceeds of the offering and the funds that will be available to the issuer after this offering. If there is no minimum offering, state that the minimum is \$0.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$	\$
B	Selling commissions and fees	\$	\$
C	Estimated offering costs (eg. legal, accounting, audit.)	\$	\$
D	Net proceeds: $D = A - (B+C)$	\$	\$
E	Current working capital (or working capital deficiency) of issuer as at [specify a date that is within 30 days of the certificate to the offering memorandum]	\$	\$
F	Available funds: $F = D + E$	\$	\$

1.2 **Use of Available Funds** - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount.

Description of intended use of available funds listed in order of priority.	Assuming min. offering	Assuming max. offering
	\$	\$
	\$	\$

1.3 **Reallocation** - The proceeds of this offering must be used for the purposes disclosed in the offering memorandum unless it is necessary for sound business reasons to reallocate them. If the available funds may be reallocated to other uses, include the following statement:

“We intend to spend the available funds as stated. However, we may reallocate funds for sound business reasons.”

**Item 2 Business**

2.1 **Structure** - State the business structure (e.g., partnership, corporation or trust), the statute and the province, state or other jurisdiction under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 **Our Business** - Describe the issuer's business. For a non-resource issuer this may include principal products or services, operations, market and marketing plans and strategies. For a resource issuer this would require a description of principal properties (including interest held) and may include disclosure of the stage of development, reserves, geology, operations, production and mineral or resource being explored or developed. Generally, this description should not exceed 2 pages.

2.3 **Development of Business** - Describe (generally, in one or two paragraphs) the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include the major events that have occurred or conditions that have influenced (favourable and unfavourable) the development of the issuer.

2.4 **Long Term Objectives** - Disclose the issuer's long term objectives.

2.5 **Short Term Objectives and How We Intend to Achieve Them** -

- (a) Disclose the issuer's objectives for the next 12 months.
- (b) Using the following table disclose how the issuer intends to meet those objectives for the next 12 months.

What we must do and how we will do it	Target completion date or, if not known, # of months to complete	Our cost to complete
		\$
		\$
		\$

- (c) If applicable, disclose that the proceeds of this offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available.

2.6 **Material Agreements** - Disclose the key terms of all material agreements

- (a) to which the issuer is currently a party, or
  - (b) with a related party
- including the following information:
- (i) if the agreement is with a related party, the name of the related party and the relationship,
  - (ii) a description of any asset or property or interest acquired, disposed, leased, under option etc.,
  - (iii) any purchase price, payment terms (eg. paid in instalments or paid in cash, securities, work commitments or debt),

- (iv) the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate,
- (v) the date of the agreement,
- (vi) the amount of any finder's fee or commission paid or payable to a related party in connection with the agreement, and
- (vii) any material outstanding obligations under the agreement.

**Item 3 Directors, Management, Promoters and Principal Holders**

3.1 **Compensation and Securities Held** - Using the following table, provide the specified information about each director, officer and promoter of the issuer and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the issuer (a "principal holder"). If the principal holder is not an individual, state in a note to the table the name of any person or company that directly or indirectly beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Positions held (eg. director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year (or if the issuer has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering

3.2 **Management Experience** - Using the following table, disclose the principal occupations of the directors and senior officers over the past five years. For each individual describe any experience in a business similar to the issuer's.

Name	Principal occupations and related experience

3.3 **Penalties, Sanctions and Bankruptcy**

- (a) Disclose any penalty or sanction (including the reason for it and whether it is currently in effect) that has been in effect during the last five years against
  - (i) a director, senior officer or control person, or
  - (ii) an issuer of which a person or company referred to in (i) above was a director, senior officer control person at the time.

- (b) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets that has been in effect during the last five years with regard to any
- (i) director, senior officer, promoter or control person, or
  - (ii) issuer that a person or company referred to in (i) above was a director, senior officer, promoter or control person of at that time.

**Item 4 Capital Structure**

4.1 **Share Capital** - Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

Description of security	Number authorized to be Issued	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number outstanding assuming completion of min. offering	Number outstanding assuming completion of max. offering

4.2 **Long Term Debt** - Using the following table, provide the required information about outstanding long term debt of the issuer. If the securities being offered are debt securities, add a column to the table disclosing the amount of debt that will be outstanding assuming both the minimum and maximum offering. If the debt is owed to a related party, indicate that in a note to the table and identify the related party.

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at [a date not more than 30 days prior to the offering memorandum date]
			\$
			\$

4.3 **Prior Sales** - If the issuer has issued any securities of the class being offered under this offering memorandum (or convertible or exchangeable into the class being offered under this offering memorandum) within the last 12 months, use the following table to provide the information specified. If securities were issued for assets or services, describe in a note to the table the assets or services that were provided.

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
			\$	\$
			\$	\$
			\$	\$

**Item 5            Securities Offered**

5.1    **Terms of Securities** - Describe the material terms of the securities being offered, including:

- (a)    voting rights or restrictions on voting,
- (b)    conversion or exercise price and date of expiry,
- (c)    rights of redemption or retraction, and
- (d)    interest rates or dividend rates.

5.2    **Subscription Procedure** -

- (a)    Describe how a purchaser can subscribe for the securities and the method of payment.
- (b)    State that the subscription money will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c)    Disclose any conditions to closing. If there is a minimum offering that must be met, disclose when subscription funds will be returned to purchasers if the minimum is not met.

**Item 6            Income Tax Consequences**

State: “You should consult your own professional advisers to obtain advice on the tax consequences that apply to you”.

If income tax consequences are a material aspect of the securities being offered (eg. flow-through shares), provide

- (a)    a summary of the significant income tax consequences to Canadian residents, and
- (b)    the name of the person providing the tax disclosure in (a).

**Item 7            Compensation Paid to Sellers and Finders**

If any person or company has or will receive any compensation (eg. commission, corporate finance fee, finder’s fee, etc.) in connection with the offering, provide the following information to the extent applicable:

- (a) a description of each type of compensation and the estimated amount to be paid for each type,
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering),
- (c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date), and
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and if options or warrants, the exercise price and expiry date).

## **Item 8 Risk Factors**

Describe in order of importance the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Risk factors will generally fall in to the following three categories:

- (a) Investment Risk - risks that are specific to the securities being offered.  
Some examples include
  - arbitrary determination of price,
  - no market or an illiquid market for the securities,
  - resale restrictions, or
  - subordination of debt securities.
- (b) Issuer Risk - risks that are specific to the issuer. Some examples include
  - insufficient funds to accomplish the issuer's business objectives,
  - no history or a limited history of sales or profits,
  - lack of specific management or technical expertise,
  - management's regulatory and business track record,
  - dependence on key employees, suppliers or agreements,
  - litigation, or
  - political risk factors.
- (c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include
  - environmental and industry regulation,
  - product obsolescence, or
  - competition.

## **Item 9 Reporting Obligations**

Disclose:

- (a) the documents that will be sent to purchasers on an annual or on-going basis, and
- (b) if information about the issuer is available from a government or regulatory

authority, where that information can be located (including website address).

## **Item 10 Resale Restrictions**

State:

“These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.”

State one of the following, as applicable:

- (a) If, at the distribution date, the issuer is not:
- (i) a reporting issuer in the Canadian province or territory in which the purchaser resides, and
  - (ii) a SEDAR filer and a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec or Saskatchewan, state:

“Unless permitted under securities legislation, you cannot trade the securities before the earlier of the date that is 12 months and a day after the date [name of issuer or other term used to refer to the issuer]

- 1. becomes a reporting issuer in the Canadian province or territory in which you reside or,
- 2. first becomes a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec or Saskatchewan and a SEDAR filer.”

- (b) If, at the distribution date, the issuer is not a “qualifying issuer” (as defined under Multilateral Instrument 45-102) but is a SEDAR filer and a reporting issuer in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec or Saskatchewan, state

“Unless permitted under securities legislation, you cannot trade the securities before the date that is 12 months and a day after the distribution date”.

- (c) If, at the distribution date, the issuer is not a “qualifying issuer” and is a reporting issuer in the Canadian province or territory in which the purchaser resides, state

“Unless permitted under securities legislation, you cannot trade the securities before the date that is 12 months and a day after the distribution

date”.

- (d) If, at the distribution date the issuer is a “qualifying issuer”, state
- “Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.”

## **Item 11 Purchaser’s Rights**

State the following on the certificate page of the offering memorandum:

“You have the following rights under securities legislation:

1. **Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the securities.
2. **Rights in the Event of a Misrepresentation** - If there is a misrepresentation in this offering memorandum you have a right to sue:
  - (a) to cancel your agreement to buy these securities, or
  - (b) for damages against [name of issuer or other term used to refer to issuer], every person who was a director at the date of the offering memorandum and every other person who signed the offering memorandum.

If you intend to rely on the rights described in 2(a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the transaction. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or 3 years after the transaction.

You may have other rights in addition to those described above. For information about your rights, you should consult a lawyer.”

## **Item 12 Date and Certificate**

Include the following statements:

“Dated [insert the date the certificate page of the offering memorandum is signed].

**This offering memorandum does not contain a misrepresentation.”**

The certificate must be signed by

- (a) the chief executive officer and the chief financial officer of the issuer (or persons acting in those capacities),
- (b) on behalf of the directors of the issuer
  - (i) by any two directors who are duly authorized to sign other than the persons referred to in paragraph (a), or
  - (ii) by all the directors of the issuer, and
- (c) by any promoter of the issuer.

Instructions for Completing  
Form 45-103F1  
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

**A. General Instructions**

1. Any issuer may use this form of offering memorandum. However, this is the only form of offering memorandum that an issuer that is not a “qualifying issuer” (defined in Multilateral Instrument 45-102 *Resale of Securities*) can use.
2. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide a definition.
3. The issuer must address the items required by the form. However, it is not necessary to provide disclosure about an item that does not apply.
4. Issuers are prohibited from making “misrepresentations” in the offering memorandum. However, the offering memorandum should not be in the form of a prospectus and is not required to provide all of the information required by a prospectus.
5. If the issuer is a limited partnership or trust, where the offering memorandum form requires disclosure about “directors”, provide disclosure for the general partner(s) and trustee(s). If a general partner or trustee is a corporation, state the names of the directors of the general partner or trustee.
6. The issuer must file the offering memorandum with the applicable securities regulatory authority on or before the 10<sup>th</sup> day after each distribution made under that offering memorandum.
7. The term “related party” when used in this form refers to:
  - (a) a director, officer, promoter or control person of the issuer,
  - (b) in regard to a person referred to in (a) a child, parent, grandparent or sibling, or other relative living in the same residence,
  - (c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship,
  - (d) an insider of the issuer other than an individual referred to in (a),
  - (e) a company controlled by one or more individuals referred to in subparagraphs (a) to (d) above, and
  - (f) in the case of an insider, promoter or control person that is not an individual, any person or company that controls that insider.

(When the term “insider” is used in this form and the issuer is not a reporting issuer, the reference includes persons or companies who would be insiders of the issuer if

that issuer were a reporting issuer.)

8. Issuers with mineral projects must comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer. NI 43-101 requires the issuer to file a technical report on material properties described in the offering memorandum. The technical report must be in a prescribed form, Form 43-101F and must be prepared by a “qualified person” (as defined in NI 43-101). Scientific and technical information disclosed in the offering memorandum must be based on the technical report. The qualified person must provide the certificate and consent required under sections 8.1 and 8.3 of NI 43-101. In certain circumstances (see section 5.3(1)3 of NI 43-101) the technical report must be prepared by a qualified person that is independent of the issuer. See section 1.5(4) of NI 43-101.
9. Issuers with oil and gas properties should refer to any successor instrument to *National Policy 2-B Guide for Engineers and Geologists submitting Oil and Gas Reports to Canadian Provincial Securities Administrators*.
10. Securities legislation restricts what can be told to investors about the issuer’s intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.

## **B. Financial Statements General**

1. Any financial statements included in the offering memorandum must be prepared in accordance with Canadian generally accepted accounting principles (GAAP).
2. Include all required financial statements in the offering memorandum immediately prior to the certificate page of the offering memorandum.
3. If the issuer has not completed one financial year, include the following financial statements in the offering memorandum:
  - (i) statements of income, retained earnings and cash flows for the period from inception to a date not more than 60 days before the date of the offering memorandum, and
  - (ii) a balance sheet dated as at a date not more than 60 days before the date of the offering memorandum.
4. If the issuer has completed one or more financial years, include the following financial statements in the offering memorandum:
  - (i) statements of income, retained earnings and cash flows for the most recently

- completed financial year that ended more than 120 days before the date of the offering memorandum,
- (ii) a balance sheet as at the last day of the most recently completed financial year that ended more than 120 days before the date of the offering memorandum,
  - (iii) statements of income, retained earnings and cash flows for the most recently completed 3, 6 or 9 month interim period that ended more than 60 days before the date of the offering memorandum, except that no interim financial statements are required for periods that precede the date of the financial statements required to be included in the offering memorandum under B.4(i), and
  - (iv) a balance sheet as at the last day of the interim period required by B.4(iii).
5. If financial statements for a more recent annual or interim period than those required by B.3 or B.4 have been prepared, include the most recent financial statements in the offering memorandum.
  6. If the issuer has completed two or more financial years that ended more than 120 days from the date of the offering memorandum, the annual financial statements required under B.4(i) and (ii) must include comparatives for the prior year. The interim financial statements required under B.4(iii) and (iv) may exclude comparatives if financial statements for the comparative periods were not previously prepared.
  7. The annual financial statements required under B.4(i) and (ii) must be audited in accordance with Canadian generally accepted auditing standards and the audit report must be included in the offering memorandum. The financial statements required under B.3, B.4(iii) and (iv) and B.5 and the comparatives required by B.6 may be unaudited; however, if any of those financial statements have been audited, the audit report must be included in the offering memorandum.
  8. Each page of any unaudited financial statements must state in bold type **“These financial statements have not been audited.”**
  9. If the offering memorandum does not contain audited financial statements for the issuer’s most recently completed financial year, update the offering memorandum to include the annual audited financial statements and the audit report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120<sup>th</sup> day following the financial year end.
  10. The offering memorandum does not have to be updated to include interim financial statements for periods completed after the date of the offering memorandum. However, it may be necessary to include the interim financial statements to prevent

the offering memorandum from containing a misrepresentation.

11. When updating the offering memorandum, the certificate must be redated and re-signed.
12. An offering memorandum prepared in accordance with this form is deemed to be a General Purpose Document as defined in National Policy 48 *Future Oriented Financial Information*. Accordingly, National Policy 48 is applicable to issuers providing future oriented financial information.
13. If the issuer is a limited partnership, the issuer must provide the financial statements required by this part B of the general partner and if the limited partnership has active operations, of the limited partnership.

### **C. Financial Statements, Business Acquisitions**

1. Where the issuer
  - (a) has acquired a business during the past two years that has not yet been reported on a consolidated basis in the issuer's financial statements, or
  - (b) is proposing to acquire a business and either:
    - (i) is obligated to complete the acquisition, or
    - (ii) has the right to acquire the business and has decided to complete the acquisition,financial statements for the business will be required if the test in C.2 is met.
2. Financial statements for a business referred to in paragraph C.1 will be required if either:
  - (a) the issuer's proportionate share of the consolidated assets of the acquired business or the business proposed to be acquired exceeds 50%<sup>1</sup> of the consolidated assets of the issuer calculated using the most recent annual financial statements of each of the issuer and the business before the date of the acquisition or proposed date of acquisition, or
  - (b) the issuer's consolidated investments in and advances to the acquired business or the business proposed to be acquired as at the date of the acquisition or the date of the proposed acquisition exceeds 50%<sup>1</sup> of the consolidated assets of the issuer calculated using the most recent annual financial statements.
3. For an issuer that has not yet completed a financial year and does not have annual financial statements, use the financial statements referred to in B.3 to make the calculation.

4. If an acquired business or proposed acquisition of a business meets either of the threshold tests (referred to in paragraph C.2), include financial statements of the business for
  - (a) the period specified in B.3 if the business has not completed one financial year, or
  - (b) the periods specified in B.4 if the business has completed one or more financial years.

The financial statements referred to in C.4 must also comply with B.6.

5. Section 5.2 of the companion policy to National Instrument 44-101 *Short Form Prospectus Distributions*, provides guidance in assessing if an acquisition or proposed acquisition is an acquisition of a “business”.
6. If an acquisition has been or will be accounted for as a reverse take-over, include financial statements for the legal subsidiary in the offering memorandum in accordance with part B. The legal parent, as that term is defined in the CICA Handbook, is considered to be the business acquired. Paragraph C.1, may require financial statements of the legal parent.

*<sup>1</sup> Request for Comments: What percentage should the acquisition represent of the issuer’s consolidated assets or the issuer’s consolidated investments before the issuer is required to provide financial statements of the business that has been or will be acquired? Given the certainty of the acquisition, should the percentage be 50% or should it be 20%, the same test used by the issuer when preparing a prospectus under Ontario Securities Commission Rule 41-501 General Prospectus Requirements?*

#### **D. Financial Statement Exemptions**

1. An audit report on financial statements contained in an offering memorandum may contain a reservation relating to opening inventory where
  - (a) there is a subsequent audited period of at least six months on which the auditor’s report contains no reservation, and
  - (b) the business is not seasonal.
2. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property (property) are not required to be included in an offering memorandum if:
  - (a) financial statements do not exist,
  - (b) the acquisition of the property was not or will not be accounted for as a reverse take-over (as defined in the CICA Handbook),
  - (c) the property did not or does not constitute a “reportable segment” of the seller, as defined in section 1701 of the CICA Handbook, and
  - (d) the offering memorandum contains alternative disclosure in respect of the

property including an operating statement (which must be accompanied by an audit report if it is prepared as an alternative to audited annual financial statements) presenting

- (i) gross revenue
- (ii) royalty expenses
- (iii) production costs
- (iv) operating income and

if a material fact

- A. information with respect to reserve estimates and estimates of future net revenue and production volumes and other relevant information regarding the property,
- B. actual production volumes of each of the properties for the most recently completed year, and
- C. estimated production volumes of each of the properties for the next year, based on information in the respective reserve reports.

3. Financial statements for a business that is an interest in an oil and gas property (property) or for the acquisition or proposed acquisition by an issuer of a property are not required to be audited if:

- (a) the property was acquired prior to December 31, 2000 and the offering memorandum states that despite making reasonable efforts, the issuer was unable to obtain audited operating statements because the seller refused to provide such audited statements or to permit access to the information necessary to audit the statements, or
- (b) during the 12 months preceding the date of the acquisition or the proposed date of an acquisition, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of six thousand cubic feet of gas being the equivalent of one barrel of oil), is less than 20 per cent of the total daily average production of the seller for the same or similar periods and:
  - (i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;
  - (ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records; and
  - (iii) the offering memorandum discloses
    - A. that the issuer was unable to obtain an audited operating statement,
    - B. the reasons for that inability,
    - C. the fact that the purchase agreement includes the representations and warranties referred to in subparagraph (ii)

- D. and  
that the results presented in the operating statements may have  
been materially different if the statements had been audited.