

Appendix B

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

Schedule B-1

Proposed Amendment Instrument for National Instrument 41-101 *General Prospectus Requirements*

Although this amendment instrument amends section headers in National Instrument 41-101, section headers do not form part of the instrument and are inserted for ease of reference only.

1. *National Instrument 41-101 General Prospectus Requirements is amended by this instrument.*
2. *Section 1.1 of National Instrument 41-101 is amended by*
 - (a) *after the definition of “acquisition”, adding the following definition:*
“acquisition date” has the same meaning as in section 1.1 of NI 51-102,;
 - (b) *repealing the definition of “date of acquisition”,*
 - (c) *after the definition of “custodian”, adding the following definition:*
“date of transition to IFRS” has the same meaning as in section 1.1 of NI 51-102,;
 - (d) *after the definition of “executive officer”, adding the following definitions:*
“financial statements” includes interim financial reports;
“first IFRS financial statements” has the same meaning as in section 1.1 of NI 51-102,;
 - (e) *repealing the definition of “income from continuing operations”,*
 - (f) *in the definition of “Form 52-110F1”, striking out “MI 52-110” and substituting “NI 52-110”,*
 - (g) *in the definition of “Form 52-110F2”, striking out “MI 52-110” and substituting “NI 52-110”,*
 - (h) *in the definition of “junior issuer”,*

- (i) *striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,
 - (ii) *striking out* “shareholders” *wherever it occurs*,
 - (iii) *in paragraphs (d) and (g), striking out* “annual income statement” *and substituting* “annual statement of comprehensive income”, *and*
 - (iv) *in subparagraph (g), striking out* “an income statement” *and substituting* “a statement of comprehensive income”,
- (i) *repealing the definition of* “MI 52-110”,
 - (j) *in the definition of* “NI 52-107”, *striking out* “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” *and substituting* “Acceptable Accounting Principles and Auditing Standards”,
 - (k) *after the definition of* “NI 52-107”, *adding the following definition:*
“NI 52-110” means National Instrument 52-110 *Audit Committees*;
 - (l) *repealing the definition of* “U.S. GAAS”,
 - (m) *after the definition of* “U.S. GAAP”, *adding the following definition:*
“U.S. AICPA GAAS” has the same meaning as in section 1.1 of NI 52-107; *and*
 - (n) *before the definition of* “U.S. marketplace”, *adding the following definition:*
“U.S. PCAOB GAAS” has the same meaning as in section 1.1 of NI 52-107;.
3. *Subsection 4.2(2) of National Instrument 41-101 is amended by striking out* “interim financial statements” *and substituting* “an interim financial report”.
4. *Paragraph 4.3(3)(a) of National Instrument 41-101 is repealed and the following substituted:*
- (a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,
 - (a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),.

5. ***Section 14.2 of National Instrument 41-101 is amended by striking out “shareholders” wherever it occurs.***
6. ***Section 20.1 of National Instrument 41-101 is repealed and the following is substituted:***

Transition

20.1(1) Despite section 20.2, the amendments to this Instrument which came into force 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.,

7. ***Schedule 3 of Appendix A to National Instrument 41-101 is amended by,***
 - (a) ***opposite “Northwest Territories”,***
 - (i) ***striking out “Securities Registries” and substituting “Superintendent of Securities”, and***
 - (ii) ***striking out “www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.html” and substituting “www.justice.gov.nt.ca/SecuritiesRegistry”,***
 - (b) ***opposite “Nunavut”, adding “Superintendent of Securities” above “Government of Nunavut”, and***
 - (c) ***opposite “Yukon”, striking out “Registrar of Securities” and substituting “Superintendent of Securities”.***
8. ***The general instructions of Form 41-101F1 Information Required in a Prospectus are amended by,***
 - (a) ***in instruction (3), striking out “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,***
 - (b) ***in instruction (7), striking out “the Handbook” and substituting “Canadian GAAP”,***
 - (c) ***in instruction (8), striking out “special purpose vehicle” and substituting “special purpose entity”, and***
 - (d) ***in instruction (15), striking out “Forward-looking information included” and substituting “Forward-looking information, as defined in NI 51-102, included”.***

9. *Section 1.5 of Form 41-101F1 is amended by striking out “reporting”.*
10. *Paragraph 4.2(4)(b) of Form 41-101F1 is amended by*
 - (a) *striking out “sales and operating revenues” wherever it occurs and substituting “revenue”, and*
 - (b) *striking out “do” and substituting “does”.*
11. *Subsection 5.1(1) of Form 41-101F1 is amended by striking out “as those terms are used in the Handbook”.*
12. *Section 5.5 of Form 41-101F1 is amended by*
 - (a) *in subsection (1), striking out “balance sheet” wherever it occurs and substituting “statement of financial position”,*
 - (b) *in paragraph (1)(b), striking out “income statement” and substituting “statement of comprehensive income”, and*
 - (c) *in subsection (4), striking out “balance sheet” and substituting “statement of financial position”.*
13. *Subsection 8.1(1) of Form 41-101F1 is amended by striking out “or Item 303 of Regulation S-B”.*
14. *Section 8.2 of Form 41-101F1 is amended by*
 - (a) *in paragraph (1)(b), striking out “interim financial statements” and substituting “interim financial report”,*
 - (b) *in subsection (2), striking out “If the prospectus includes the issuer’s income statements, statements of retained earnings, and cash flow statements” and substituting “If the prospectus includes the issuer’s annual statements of comprehensive income, statements of changes in equity, and statements of cash flow”, and*
 - (c) *in subsection (3), striking out “balance sheet” and substituting “statement of financial position”.*
15. *Section 8.3 of Form 41-101F1 is repealed.*
16. *Section 8.6 of Form 41-101F1 is amended by*

- (a) *in paragraph (1)(a), striking out* “capitalized or expensed exploration and development costs” *and substituting* “exploration and evaluation assets or expenditures”,
- (b) *in paragraph (1)(c), striking out* “deferred development costs” *and substituting* “intangible assets arising from development”,
- (c) *in paragraph (1)(e), striking out* “capitalized, deferred or expensed” *and substituting* “expensed or recognized as assets”,
- (d) *in subsection (2), striking out* “capitalized or expensed exploration and development costs” *and substituting* “exploration and evaluation assets or expenditures”, *and*
- (e) *in paragraph (3)(b), striking out* “interim financial statements” *and substituting* “interim financial report”.

17. Section 8.7 of Form 41-101F1 is amended by

- (a) *striking out* “negative operating cash flow” *and substituting* “negative cash flow from operating activities”, *and*
- (b) *adding the following paragraph after paragraph (c):*

In determining cash flow from operating activities, the issuer must include dividends and borrowing costs.

18. Section 8.8 of Form 41-101F1 is amended by

- (a) *in paragraph (1)(a), striking out* “summarized information as to the assets, liabilities and results of operations of the equity investee,” *and substituting* “summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss,”
- (b) *in paragraph (1)(b), striking out* “earnings” *and substituting* “profit or loss”, *and*
- (c) *in subsection (2), striking out* “interim financial statements” *and substituting* “interim financial report”.

19. Section 9.1 of Form 41-101F1 is amended by

- (a) *in paragraph (1)(c), striking out* “interim financial statements of the issuer have” *and substituting* “an interim financial report of the issuer has”,

- (b) *in paragraphs (2)(b) and (d), striking out “annual or interim financial statements” wherever it occurs and substituting “annual financial statements or interim financial report”,*
- (c) *in paragraph (2)(c), striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report, and”,*
- (d) *in paragraphs (2)(c) and (d), striking out “long-term” wherever it occurs,*
- (e) *in paragraph (2)(d), striking out “prospectus, and” and substituting “prospectus.”,*
- (f) *repealing paragraph (2)(e),*
- (g) *repealing subsection (3), and*
- (h) *in subsection (4), striking out “earnings required” and substituting “numerator required”.*

20. The instructions under item 9 of Form 41-101F1 are amended by,

- (a) *in instruction (2), striking out “entity’s earnings (the numerator) by its interest” and substituting “entity’s profit or loss (the numerator) by its borrowing costs”,*
- (b) *in instruction (3),*
 - (i) *in paragraph (a), striking out “net income before interest” and substituting “profit or loss before borrowing costs”,*
 - (ii) *repealing paragraph (c),*
 - (iii) *repealing paragraph (d) and substituting the following:*
 - (d) *for distributions of debt securities, the appropriate denominator is borrowing costs, after giving effect to the new debt securities issue and any retirement of obligations, plus the borrowing costs that have been capitalized during the period;*
 - (iv) *in subparagraph (e)(i), striking out “annual interest requirements, including the amount of interest that has” and substituting “annual borrowing cost requirements, including the borrowing costs that have”,*
 - (v) *in paragraph (f), adding “securities” after “effect of the debt”,*
- (c) *in instruction (4),*

- (i) **striking out** “interest obligations on all long-term debt” **and substituting** “borrowing cost obligations on all financial liabilities”,
- (ii) **repealing paragraph (a) and substituting the following:**
 - (a) *the issuance of all financial liabilities and, in addition in the case of an issuance of preferred shares, all preferred shares issued, since the date of the annual financial statements or interim financial report;*
- (ii) **in paragraph (b), adding “and” after “distributed;”**,
- (iii) **repealing paragraph (c) and substituting the following:**
 - (c) *the repayment or redemption of all financial liabilities since the date of the annual financial statements or interim financial report, all financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus and, in addition, in the case of an issuance of preferred shares, all preferred shares repaid or redeemed since the date of the annual financial statements or interim financial report and all preferred shares to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus., and*
- (iv) **repealing paragraph (d).**
- (d) **repealing instruction (5),**
- (e) **in instruction (6), striking out** “interest requirements, after giving effect to the issue of [the debt securities to be distributed under the prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]’s earnings before interest and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s interest requirements” **and substituting** “borrowing cost requirements, after giving effect to the issue of [the debt securities to be distributed under the prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]’s profit or loss before borrowing costs and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s borrowing cost requirements”, **and**
- (f) **in instruction (7), striking out** “interest requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s earnings before interest and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]’s aggregate dividend and interest requirements” **and substituting** “borrowing cost requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s profit or loss before borrowing costs and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]’s aggregate dividend and borrowing cost requirements”.

21. ***Paragraph 10.3(8)(b) of Form 41-101F1 is amended by striking out “income” and substituting “profit”.***
22. ***The instruction under section 10.9 of Form 41-101F1 is amended by striking out “derivatives” and substituting “derivative instruments”.***
23. ***Paragraph 32.1(c) of Form 41-101F1 is amended by striking out “continuity of interests” and substituting “combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not temporary”.***
24. ***Item 32.2 of Form 41-101F1 is repealed and the following is substituted:***

Annual financial statements

- 32.2(1) Subject to section 32.4, include annual financial statements of the issuer consisting of
- (a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for each of the three most recently completed financial years ended more than
 - (i) 90 days before the date of the prospectus, or
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
 - (b) a statement of financial position as at the end of the two most recently completed financial years described in paragraph (a),
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its annual financial statements,
 - (B) makes a retrospective restatement of items in its annual financial statements, or

- (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (e) notes to the annual financial statements.
- (1.1) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (1).
 - (2) If the issuer has not completed three financial years, include the financial statements described under subsection (1) for each completed financial year ended more than
 - (a) 90 days before the date of the prospectus, or
 - (b) 120 days before the date of the prospectus, if the issuer is a venture issuer.
 - (3) If the issuer has not included in the prospectus financial statements for a completed financial year, include the financial statements described under subsection (1) or (2) for a period from the date the issuer was formed to a date not more than 90 days before the date of the prospectus.
 - (4) If an issuer changed its financial year end during any of the financial years referred to in this section and the transition year is less than nine months, the transition year is deemed not to be a financial year for the purposes of the requirement to provide financial statements for a specified number of financial years in this section.
 - (5) Notwithstanding subsection (4), all financial statements of the issuer for a transition year referred to in subsection (4) must be included in the prospectus.
 - (6) Subject to section 32.4, if financial statements of any predecessor entity, business or businesses acquired by the issuer, or of any other entity are required under this section, then include
 - (a) statements of comprehensive income, statements of changes in equity, and statements of cash flow for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of comprehensive income, statements of changes in equity, and statements of cash flow are included in the prospectus, the results of

the entities or businesses, either separately or on a consolidated basis, total three years,

- (b) statements of financial position for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of financial position are included in the prospectus, the financial position of the entities or businesses, either separately or on a consolidated basis, total two years,
- (c) if the entities or businesses have not completed three financial years, the financial statements described under paragraphs (a) and (b) for each completed financial year of the entities or businesses for which the issuer's financial statements in the prospectus do not include the financial statements of the entities or businesses, either separately or on a consolidated basis, and ended more than
 - (i) 90 days before the date of the prospectus, or
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer.
- (d) if an entity's or business's first IFRS financial statements are included under paragraphs (a), (b) or (c), the opening IFRS statement of financial position at the date of transition to IFRS, and
- (e) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its financial statements,
 - (B) makes a retrospective restatement of items in its financial statements, or
 - (C) reclassifies items in its financial statements.

25. Section 32.3 of Form 41-101F1 is repealed and the following is substituted:

Interim financial report

- 32.3(1)** Include a comparative interim financial report of the issuer for the most recent interim period, if any, ended
- (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and
 - (b) more than
 - (i) 45 days before the date of the prospectus, or
 - (ii) 60 days before the date of the prospectus if the issuer is a venture issuer.
- (2) The interim financial report referred to in subsection (1) must include
- (a) a statement of financial position as at the end of the interim period and a statement of financial position as at the end of the immediately preceding financial year, if any,
 - (b) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any,
 - (c) for interim periods other than the first interim period in an issuer's financial year, a statement of comprehensive income for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the immediately preceding financial year, if any,
 - (d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
 - (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its interim financial report,
 - (B) makes a retrospective restatement of items in its interim financial report, or

- (C) reclassifies items in its interim financial report,
 - (e) in the case of the first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (f) notes to the interim financial report.
- (3) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (2).
- (4) If the issuer is required to include under subsection 32.3(1), a comparative interim financial report of the issuer for the second or third interim period in the year of adopting IFRS, include
- (a) the issuer's first interim financial report in the year of adopting IFRS, or
 - (b) both
 - (i) the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (ii) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows.
- (5) Subsection (4) does not apply to an issuer that was a reporting issuer in at least one jurisdiction immediately before filing the prospectus.

26. Section 32.4 of Form 41-101F1 is repealed and the following substituted:

Exceptions to financial statement requirements

32.4 Despite section 32.2, an issuer is not required to include the following financial statements in a prospectus

- (a) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, if the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,

- (b) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if
 - (i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus, and
 - (ii) the issuer includes financial statements for a financial year ended less than
 - (A) 90 days before the date of the prospectus, or
 - (B) 120 days before the date of the prospectus, if the issuer is a venture issuer,
- (c) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if the issuer includes financial statements for a financial year ended less than 90 days before the date of the prospectus,
- (d) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if
 - (i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,
 - (ii) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,
 - (iii) the business of the issuer is not seasonal, and
 - (iv) none of the financial statements required under section 32.2 are for a financial year that is less than nine months,
- (e) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if

- (i) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,
 - (ii) the business of the issuer is not seasonal, and
 - (iii) none of the financial statements required under section 32.2 are for a financial year that is less than nine months, or
- (f) the separate financial statements of the issuer and the other entity for periods prior to the date of the transaction, if the restated combined financial statements of the issuer and the other entity are included in the prospectus under paragraph 32.1(c).

27. ***Paragraph 32.5(c) of Form 41-101F1 is amended by striking out “interim financial statements” and substituting “interim financial report”.***

28. ***Subsection 34.1(1) of Form 41-101F1 is amended by***

- (a) ***in paragraph (c), striking out “revenues” and substituting “revenue”,***
- (b) ***in subparagraph (g)(i), striking out “sales or revenues” and substituting “revenue”,***
- (c) ***in subparagraph (g)(ii), striking out “income” and substituting “profit or loss”,***
- (d) ***in subparagraph (g)(iii), striking out “net earnings” and substituting “profit”, and***
- (e) ***in subparagraph (g)(iv), striking out “balance sheet” and substituting “statement of financial position”,***

29. ***Subparagraph 34.2(e)(ii) of Form 41-101F1 is amended by striking out “interim and annual consolidated” and substituting “consolidated interim financial report and consolidated annual”.***

30. ***Section 35.1 of Form 41-101F1 is amended by***

- (a) ***in subsection (1), striking out “accounted for as”, and***
- (b) ***in subsection (4),***
 - (i) ***striking out “date of the acquisition” wherever it occurs and substituting “acquisition date”,***

- (ii) *in subparagraph (b)(iv), striking out “income” and substituting “profit or loss”, and*
- (iii) *in subparagraph (b)(vi), striking out “annual audited statements” and substituting “audited annual statements”.*

31. Section 35.3 of Form 41-101F1 is amended by

- (a) *in the title, striking out “date of acquisition” and substituting “acquisition date”, and*
- (b) *striking out “date of the acquisition” wherever it occurs and substituting “acquisition date”.*

32. Subsection 35.5(3) of Form 41-101F1 is amended by striking out “date of acquisition” wherever it occurs and substituting “acquisition date”.

33. Subsection 35.6(3) of Form 41-101F1 is amended by striking out “date of the acquisition” wherever it occurs and substituting “acquisition date”.

34. Subsection 35.8(1) of Form 41-101F1 is amended by

- (a) *striking out “annual and interim financial statements” and substituting “annual financial statements and an interim financial report”, and*
- (b) *striking out “date of the acquisition” and substituting “acquisition date”.*

35. Form 41-101F1 is amended by adding the following after Item 37:

ITEM 38: Transition

Interim financial report

- 38.1(1) Despite subsection 32.3(1), an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended
- (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and
 - (b) more than
 - (i) 75 days before the date of the prospectus, or
 - (ii) 90 days before the date of the prospectus if the issuer is a venture issuer.

- (2) Subsection (1) does not apply unless
- (a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,
 - (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and
 - (c) the final long form prospectus is filed before July 5, 2012.

Asset-backed securities

- 38.2(1) Despite subsection 10.3(5), all financial disclosure that describes the underlying pool of financial assets of the issuer for a transition year must be included in the prospectus for the most recent interim period, if any, ended
- (a) subsequent to the most recent financial year referred to in paragraphs 10.3(3)(a) and 10.3(3)(b) in respect of which financial disclosure on the underlying pool of financial assets is included in the prospectus, and
 - (b) more than
 - (i) 75 days before the date of the prospectus, or
 - (ii) 90 days before the date of the prospectus if the issuer is a venture issuer.
- (2) Subsection (1) does not apply unless
- (a) the financial disclosure in respect of the interim period is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,
 - (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and
 - (c) the final long form prospectus is filed before July 5, 2012.

36. *This instrument only applies 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.*

37. *This instrument comes into force on January 1, 2011.*

Schedule B-2

Proposed 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 referred to, in Canadian GAAP. 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

- (4) If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP, then the issuer may interpret any reference in the Instrument to a term or provision defined, or referred to, in Canadian GAAP as a reference to the corresponding term or provision in the other acceptable accounting principles.
3. *Subsection 4.3(1) is repealed and the following substituted:*
 - 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 dividends and borrowing costs.
 4. *Subsection 4.4(1) is amended by striking out “capitalized, deferred or expensed” and substituting “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 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 by*

- (a) *striking out* “annual or interim financial statements” *wherever it occurs and substituting* “annual financial statements or an interim financial report”, *and*
- (b) *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 arising 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 entity’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 most recent annual period 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. If the issuer becomes aware of errors made under previous GAAP, the reconciliations summarized above must distinguish the correction of those errors from changes in accounting policies.

8. Subsection 5.6(4) is amended by

- (a) **striking out** “audited interim financial statements” **and substituting** “an audited interim financial report”,
- (b) **adding** “comprehensive” **before** “income or cash flows”, **and**
- (c) **striking out** “reservation of opinion” **and substituting** “modification to the opinion”.

9. Subsection 5.8(2) is amended by

- (a) **striking out** “reservation if they were audited” **and substituting** “modified opinion if they were audited”,
- (b) **striking out** “U.S. GAAS” **and substituting** “U.S. PCAOB GAAS”,

- (c) **striking out** “subsection 6.2(6) of NI 52-107 only applies” **and substituting** “subsections 3.12(3) and 4.12(6) of NI 52-107 only apply”,
- (d) **striking out** “reservation relating to opening inventory” **and substituting** “qualified opinion relating to opening inventory”, **and**
- (e) **striking out** “reservation and the business” **and substituting** “modified opinion and the business”.

10. Section 5.9 is amended by

- (a) **in subparagraph (1)(h)(iii), striking out** “or”,
- (b) **in subsection (2),**
 - (i) **striking** “date of acquisition” **and substituting** “acquisition date”, **and**
 - (ii) **striking out** “date of the acquisition” **wherever it occurs and substituting** “acquisition date”,
- (c) **in subsection (3), striking out** “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” **and substituting** “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), striking out** “comparative interim financial statements” **and substituting** “a comparative interim financial report”, **and**
- (e) **adding the following after subsection (6)**
 - (7) Except in Ontario, 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 by

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

(b) *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 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. *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 financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*

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