



IN THIS UPDATE:

	<i>page</i>
Penalties for late filing	1
Maintaining accurate SEDAR filer profiles	1
Improving the quality of public disclosure	2
BC Form 51-901F replaces Form 61	3
Former ASE, WSE, CDN, and TSE-listed companies required to file BC Form 51-901F after June 30, 2001	4
National Instrument 43-101: New reporting requirements for mineral projects	4

Welcome to the first edition of the *Continuous Disclosure Update*. *Update* will help you meet the continuous disclosure reporting requirements of the BC Securities Commission (BCSC). We will publish future issues of *Update* to address disclosure-related matters.

1. PENALTIES FOR LATE FILING

Filing deadlines exist so investors receive information that is **timely**. However, many companies do not file their interim and annual financial statements within the 60 and 140-day statutory deadlines. Our goal is to promote efficient capital markets and protect investor rights. We will accomplish this by taking action against those who continue to violate filing deadlines. Commencing with the fiscal year ending December 31, 2000, we will take immediate steps to encourage compliance – including cease trading the securities of companies that fail to meet their statutory filing deadlines – without prior notice.

2. MAINTAINING ACCURATE SEDAR FILER PROFILES

A significant number of companies are not maintaining accurate *filer profiles* on SEDAR. Profiles should be updated to reflect changes in address, telephone and fax numbers, directors and officers, and industry classification. Other major problems include failing to:

- Select the correct principal regulator for filings under the mutual reliance review system
- Provide the basis for determining the principal regulator, and
- Provide updated information about the current size of the issuer.





Recommendation

The Canadian Securities Administrators (CSA) recently discussed the problem of inaccurate SEDAR filer profiles. For more information on this topic, refer to CSA Staff Notice 13-306 published April 30, 2001.




Reminder

Companies that do not prepare their financial statements or quarterly and annual reports in the required form may be placed on the *issuers in default list* without prior notice. In more serious cases, we may cease trade a company's securities.

Subsection 5.1(3) of National Instrument 13-101 (the SEDAR Rule) requires companies to update their profile **within 10 days of any change** of information. If you use a SEDAR filing agent to make filings on SEDAR, you are responsible for notifying the agent of changes to your company's profile.

We will continue to monitor compliance with this requirement, and take appropriate action against companies that do not comply.

There are also a growing number of duplicate profiles in SEDAR. This duplication must be eliminated before the System for Electronic Disclosure by Insiders (SEDI) is implemented. SEDI will use profile information from SEDAR as the basis for electronic insider reports.

You are encouraged to identify duplicate profiles and request their deletion. For more information on how to avoid duplicate filer profiles, amend a current filer profile or how to create a new one, refer to your *SEDAR Filer Manual* available at www.sedar.com or call the CDS SEDAR helpdesk at 1-800-219-5381. 


3. IMPROVING THE QUALITY OF PUBLIC DISCLOSURE

Capital markets rely heavily on information provided by public companies through their continuous disclosure. The recent reaction to profit warnings released by a number of companies in a variety of industries highlights the importance of continuous disclosure to the market.

The BCSC introduced the Continuous Disclosure Review (CDR) Program in 1998 to monitor compliance with the continuous disclosure requirements and to help companies improve the quality of their public disclosure. While we have seen some improvement since the program was introduced, the quality of public disclosure, particularly *management discussion and analysis* (MD&A), is still deficient.

To help companies meet their reporting obligations and improve the overall quality of disclosure they provide, we published the *Continuous Disclosure Review Program – April 2000 Staff Report* (the CDR Report).

The CDR Report is written primarily for directors and officers of development-stage companies and their professional advisers. You should refer to it when preparing financial statements, supplementary information, and MD&A in quarterly and annual reports. You should also use the CDR Report to prepare annual information forms, material change reports, news releases, and to create corporate websites.

The CDR Report is available in hard copy and can be found on our website at www.bcsc.bc.ca. 

4. BC FORM 51-901F REPLACES FORM 61

On December 22, 2000, Form 61 was replaced with BC Form 51-901F (the Form) to reflect the Canadian Institute of Chartered Accountants' introduction of Section 1751 - Interim Financial Statements in the *CICA Handbook* (Handbook.) The Form does not contain any new significant reporting requirements. However, we expanded the instructions to help companies comply with the disclosure requirements for financial statements, MD&A and supplementary information.

a) *Financial Statements*

In accordance with Handbook Section 1751, the Form requires companies to present financial information for the year-to-date period and the current interim period in interim financial statements – with corresponding comparative figures for the preceding year. Companies whose fiscal year begins before January 1, 2001, may elect to present their financial statements for the first, second and third financial quarters in accordance with the previous Form 61 and not present the additional periods required by the Form (See BC Notice BCN # 2000/67). Consistent with Handbook Section 1751, interim financial statements must include *notes*.


The Form also directs companies in the development stage to CICA Accounting Guideline AcG-11. This guideline encourages disclosure of cumulative balances from the start of the development stage.

b) *MD&A*

The Form requires companies to provide MD&A on a year-to-date basis. This requirement can be met by simply reproducing MD&A disclosure from preceding quarters during the current fiscal year in the current report. *Subsequent events disclosure* should address any significant transactions or events that occur after the period covered by the financial statements - up to the date the report is signed.

c) *Supplementary Information*

The Form now includes sections for e-mail and website addresses. We plan to issue *Update* on an ongoing basis and would like to distribute it on a timely basis via e-mail.

We recommend that your disclosure policy require senior management receive and read all issues of *Update* because the company's board of directors is responsible for the contents of quarterly and year-end BC Form 51-901F reports. 



Recommendation

BC Form 51-901F should continue to be filed on SEDAR under the document type Form 61(BC) until a new document type specific to BC Form 51-901F is created in SEDAR.

5. FORMER ASE, WSE, CDN, AND TSE-LISTED COMPANIES REQUIRED TO FILE BC FORM 51-901F AFTER JUNE 30, 2001

The BCSC gave relief from filing Form 61 reports to former ASE, WSE, CDN and TSE-listed companies that began trading solely on CDNX. This relief expires June 30, 2001. After June 30, 2001, all *exchange issuers* (companies listed on CDNX and no other Canadian stock exchange) must file a BC Form 51-901F report.

6. NATIONAL INSTRUMENT 43-101: NEW REPORTING REQUIREMENTS FOR MINERAL PROJECTS

Effective February 1, 2001, all public companies engaged in the exploration and development of mineral projects or mining operations must comply with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101 or the Instrument). The Instrument replaces National Policy 2-A.

The Instrument applies to oral and written public statements such as news releases, prospectuses, annual reports and other corporate reporting and offering materials, including BC Form 51-901F.

All scientific and technical public disclosure must be based on information prepared by a *qualified person*. A qualified person is an engineer or geoscientist who has experience relevant to the subject matter of the mineral project and the technical report. This individual must have at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment. The qualified person must be a member in good standing of a professional association. In some cases, the qualified person must be independent of the company.

NI 43-101 adds a new requirement for companies to file technical reports with the BCSC on the occurrence of certain events, for example, when a material change occurs in previously disclosed resources or reserves. The form and content of technical reports is set out in NI 43-101 FI. In British Columbia, NI 43-101 FI replaces Form 54.

NI 43-101 mandates that measured, indicated and inferred *resources* and proven and probable *reserves*, as defined by the Canadian Institute of Mining, Metallurgy and Petroleum, are the only two categories of mineralization permitted to be publicly disclosed in Canada. These terms are discussed in the Companion Policy to NI 43-101.

The Instrument significantly changes reporting standards for companies in the mineral exploration and mining industry. We intend to monitor compliance on an ongoing basis. If a company's disclosure fails to comply with the requirements set out in the Instrument in a material way, the company's securities may be subject to a cease-trade order until the deficient disclosure is corrected.

NI 43-101, NI 43-101 FI, and the Companion Policy can be found on our website at www.bcsc.bc.ca. If you have questions about NI 43-101, please contact Adrienne Marskell at (604) 899-6645 or Terry Macauley at (604) 899-6723 or toll free in BC at 1-800-373-6393.



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