

**Form 41-901F/51-905F
Prospectus / Annual Information Form**

This is the form required under section 18(2) of the Securities Act for a prospectus, and under section 121(1) of the Rules for an annual information form. You must use this form, or another form specified by the Commission.

Date: *[Must be dated within 10 days before the date of filing.]*

Indicate whether this is a prospectus or an annual information form (AIF). Complete all unshaded portions of this form for all prospectuses and all AIFs. The shaded portions of this form are relevant only if this is a prospectus.

Include all applicable information listed on this page on the cover page.

(Name of issuer as set out in incorporation or organization documents)

The offering

Number and type of securities offered:

Price per security:

Minimum/maximum offering: *[If there is no minimum, state "\$0" as the minimum and also state: You may be the only purchaser.]*

Payment terms:

Proposed closing date(s):

Selling agent? *[Yes/No. If yes, also state "See page •". You may also state the name of the selling agent.]*

Name of underwriter or other due-diligence provider(s):

State:

There are risks associated with investing in the issuer. See page •.

If this prospectus/AIF or any other document in the issuer's continuous disclosure record contains a misrepresentation, investors have the right to sue for damages. See page •.

No securities regulatory authority is recommending these securities or has determined that this document is accurate or adequate.

Include only if this is a draft prospectus:

This is a draft prospectus. The information disclosed may have to be amended or supplemented. Securities may not be sold under this prospectus until a receipt for it has been issued.

Part 1 The business

1.1 The business

Describe the business, including any products or services, operations, marketing plan, competitive position and objectives.

1.2 Our history and development

- (1) Describe how the business has developed generally over the three most recent financial years and any subsequent period and disclose the major events and conditions that affected that development.
- (2) Discuss any changes in the business that you expect will occur during the current financial year.

Part 2 Risk factors

2.1 Risk factors

Describe in order of importance the risk factors that are material to the issuer, the business or the securities being offered.

Part 3 Management and others

3.1 Our management

Provide a summary of each director's and officer's experience that is relevant to the director or officer's ability to manage the issuer or the business.

3.2 Arrangements with senior management and key persons

Describe any arrangements intended to ensure that the officers and any key persons will remain with the business for a period of time and will not compete with the business if they leave. If there are no arrangements, state that.

3.3 Interest of management and others

Describe, for each director, officer and significant securityholder of the issuer and, its subsidiaries, any party to a management services contract with the issuer or its subsidiaries, and any of their associates or affiliates:

- (a) any existing or potential conflicts of interest, and
- (b) any interest in any material transaction within the three most recent financial years.

3.4 Legal, administrative and bankruptcy proceedings

- (1) Disclose the following for each director, officer and, if this is a prospectus, significant securityholder:

- (a) the circumstances and outcome of any court proceedings relating to securities, financial institutions, company or partnership legislation within the last 10 years,
 - (b) the circumstances and outcome of any securities regulatory, financial regulatory, or bankruptcy or similar proceedings, within the last 10 years,
 - (c) any cease trade or similar order lasting more than 30 consecutive days issued within the last 10 years, and
 - (d) any pending securities or financial regulatory proceedings.
- (2) Disclose the information required in (1)(a) – (d) if a person referred to in (1) was a director, officer or significant securityholder of any issuer that was subject to an event referred to in (1)(a) – (d):
- (a) when the person was a director, officer or significant securityholder, or
 - (b) within 12 months after the person ceased to be a director, officer or significant securityholder.

3.5 Compensation

- (1) Using the following table, disclose the compensation that the issuer paid in the most recent financial year to:
- (a) its chief executive officer, chief financial officer and chief operating officer, individually (specifying name),
 - (b) its other officers, as a group,
 - (c) its non-officer directors, as a group, and
 - (d) each of its significant securityholders, individually (specifying name).

Include compensation paid by any subsidiaries of the issuer, or that was paid to a third party for the services of any of the above individuals (for example, a management company).

	Cash compensation (if not salary or bonus, specify)	Non-cash compensation
Chief executive officer (name)	Salary \$ _____ Bonus \$ _____ Other \$ _____	
Chief financial officer (name)	Salary \$ _____ Bonus \$ _____ Other \$ _____	
Chief operating officer (name)	Salary \$ _____ Bonus \$ _____ Other \$ _____	
Other officers (as a group)	Salary \$ _____ Bonus \$ _____ Other \$ _____	
Non-officer directors (as a group)	\$ _____	
Significant securityholders (for each, name)	\$ _____	

(2) Disclose in notes to the table:

- (a) for other officers and non-officer directors, how many persons are in each group and the name and title of each person, and
- (b) for each of the chief executive, chief financial and chief operating officers, the percentage received of the total stock options, stock appreciation rights (SARs) or other securities-based compensation granted by the issuer to all of its employees and directors.

(3) For each of the chief executive officer, the chief financial officer and the chief operating officer, explain the relationship between the compensation paid in the most recent financial year and each of the following aspects of the issuer's performance:

- (a) performance against specified targets and goals, both short and long-term,
- (b) achievements outside the strategic plan,
- (c) earnings or cash flow (use the most relevant measure for the issuer's sector),
- (d) stock price performance relative to the issuer's sector, and
- (e) any other factor related to the amount of executive compensation.

If a particular factor has no bearing on the compensation paid, state this and explain why. For (a), you may exclude details that would adversely affect the issuer's competitive position.

- (4) For each of the chief executive, chief operating and chief financial officers, describe:
- (a) the approval process for compensation, including the role of the board,
 - (b) any long-term incentive compensation,
 - (c) any compensation payable on termination of employment or change of control,
 - (d) any compensation payable based on completion of a specified period of employment, and
 - (e) the formula for determining pension plan benefits and the estimated pension that would be payable on normal retirement age.
- (5) Explain any significant changes made in information previously disclosed, or likely to be made in the current financial year, to:
- (a) the issuer's compensation system for officers, and
 - (b) the compensation packages of each of the chief executive, chief operating and chief financial officers.

3.6 Securities held

- (1) Using the following table, disclose the securities of the issuer or any of its subsidiaries held by:
- (a) the officers, as a group,
 - (b) the non-officer directors, as a group, and
 - (c) each significant securityholder individually (specifying name and position).

	Number, type and percentage of issuer's securities held before completion of transaction	Number, type and percentage of issuer's securities held on completion of transaction
Officers (as a group)		
Non-officer directors (as a group)		
Significant securityholders (for each, name and position)		

- (2) Disclose in notes to the table, for both officers and non-officer directors, how many persons are in each group and the name and title of each person.
- (3) If appropriate, include separate columns for the number of securities that will be held assuming completion of a minimum and maximum offering.

Part 4 General corporate information

4.1 Business and corporate structure

- (1) State the issuer's business structure (for example, partnership, corporation or trust).
- (2) State the statute, jurisdiction and date of the issuer's incorporation, continuance or organization or, if the issuer is unincorporated, the laws that it is established and exists under.
- (3) Provide an organizational chart showing all of the issuer's corporate relationships. Include the issuer's significant securityholders, subsidiaries and affiliates, and indicate the percentage ownership of voting shares for each entity and its jurisdiction of incorporation or organization.

4.2 Outstanding securities and consolidated capitalization

- (1) Disclose any material difference in the equity or loan capital of the issuer on a consolidated basis, since the date of the comparative financial statements for the issuer's most recent financial year.
- (2) Describe the issuer's capital structure and the material terms of each class of the issuer's outstanding securities (for convertible securities, include the exercise price).
- (3) If the issuer has offered within the last 12 months, or has committed to offering, securities of the same class as those offered in the transaction, provide details.

4.3 Escrowed securities

- (1) Using the following table, describe any securities of the issuer that are, or after the transaction will be, held in escrow or subject to a pooling or lock-up agreement.
- (2) Provide details about the escrow or other arrangements.

Class of security	Number of securities held in escrow or subject to pooling/lock-up agreement	Percentage of outstanding securities of the class on completion of transaction

- (3) If appropriate, include separate columns for the number of securities that will be held assuming completion of a minimum and maximum offering.

4.4 Head office and trading information

Disclose the following about the issuer:

- (a) Head office address,
- (b) Phone and facsimile numbers
- (c) E-mail address, and
- (d) Exchange, quotation system or other trading facility where issuer's securities trade, the issuer's trading symbol, and name of market regulator [e.g. Market Regulation Services Inc.].

4.5 Transfer agents and registrars

Identify the transfer agent and registrar for all classes of the issuer's securities.

4.6 Interest of expert

- (1) Disclose whether any expert involved in preparing the prospectus/AIF or any report or valuation relating to the business has an interest in any property, or owns any securities, of the issuer or any of its associates or affiliates.
- (2) Disclose whether any expert described in (1), or any of its directors, officers or employees, is or is expected to be elected, appointed or employed as a director, officer, employee or consultant of the issuer or any of its associates or affiliates.

4.7 Investors' rights

State:

"If there is a misrepresentation in this document or in other disclosure by the issuer, you have a statutory right to sue for damages against the issuer, its directors and certain other persons. This right is available whether or not you relied on the misrepresentation. However, there are various defences available to the persons that you have a right to sue.

If you intend to rely on this right, you must commence your action for damages within strict time limitations under the Act."

4.8 Continuous disclosure documents

Disclose:

- (a) that if a securityholder requests a copy of any of the issuer's annual or interim financial statements, related MD&A or, if the issuer relies on or intends to rely on the exemption in section 18(3) of the Act, AIFs, filed within two years of the request, the issuer will deliver that document to the securityholder without charge, and

- (b) how securityholders may contact the issuer to obtain the documents described in (a).

4.9 Disclosure for issuers not filing information circulars

For issuers that have not filed an information circular in the required form within the 12 months before the date of your prospectus or AIF, disclose in your prospectus or AIF the information required under Parts 5 – 10, 12 and 13 of Form 54-902F *Information Circular*, as modified below, if applicable and not otherwise disclosed in your prospectus or AIF:

Form 54-902F <i>Information Circular</i> reference	Modification
Part 5 – Voting Securities and Principal Holders	<ul style="list-style-type: none"> • Include the disclosure required by item 5.1 without regard to the words “entitled to be voted at the meeting”. • Do not include the disclosure required by items 5.2 and 5.3.
Part 6 – Election of Directors	<ul style="list-style-type: none"> • Disregard the preamble of item 6.1. • Include the disclosure required by section 6.2 without regard to the word “proposed” throughout. • Do not include the disclosure required by section 6.4.
Part 7 – Governance	<ul style="list-style-type: none"> • No changes
Part 8 – Compensation	<ul style="list-style-type: none"> • No changes
Part 9 – Securities Authorized for Issuance Under Equity Compensation Plans	<ul style="list-style-type: none"> • No changes
Part 10 – Indebtedness of Directors and Officers	<ul style="list-style-type: none"> • Replace the words “date of the information circular” with “date of the [prospectus] or [AIF]” throughout.
Part 12 – Appointment of Auditor	<ul style="list-style-type: none"> • No changes
Part 13 – Management Contracts	<ul style="list-style-type: none"> • No changes

Part 5 Prospectus Filings

5.1 Due-diligence providers/underwriters

- (1) State the name of any due-diligence provider or underwriter involved in the transaction and give details of its arrangements with the issuer, including compensation.
- (2) If the issuer has a relationship with a due-diligence provider or underwriter that could affect that person’s independence, provide details.

5.2 The transaction

Describe the transaction and the securities being offered.

5.3 Net proceeds and other available funds

- (1) Using the following table, disclose the net proceeds of the transaction. If the issuer is an early stage issuer, also disclose the current working capital (or cash needed to fund any working capital deficiency) and the total funds available to be used with the net proceeds to achieve the objectives set out in item 1.1.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by the transaction	\$ _____	\$ _____
B	Estimated transaction costs: Underwriter or due-diligence provider compensation Other	\$ _____ \$ _____	\$ _____ \$ _____
C	Net proceeds: $C = A - B$	\$ _____	\$ _____
D	[For early stage issuers only] Current working capital (or cash needed to fund working capital deficiency)	\$ _____	\$ _____
E	[For early stage issuers only] Available funds $E = C + D$	\$ _____	\$ _____

- (2) If there is no minimum offering, state "\$0" as the minimum.

5.4 Use of proceeds and other available funds

- (1) Disclose how the net proceeds of the transaction will be used and, if the issuer is an early stage issuer, the use of other available funds.
- (2) If any working capital deficiency will not be eliminated by the use of net proceeds, state how you intend to eliminate or manage the deficiency.

5.5 Project financing and limited partnership offering

- (1) If the transaction is a project financing, limited partnership offering or other similar transaction where the investor will be a party to the transaction agreement, summarize the key terms of the co-tenancy, unitholders', limited partnership or other agreement.
- (2) You must give investors a copy of the agreement to review if they request it. State in your prospectus that they have this right.

5.6 Income tax consequences

- (1) If income tax consequences are a material aspect of the securities being offered (for example, flow-through shares),
- summarize the significant income tax consequences to Canadian residents, and
 - name the person providing the opinion on which the tax disclosure in (a) is based and the professional designation, if any, of that person.

- (2) Suggest to investors that they consult a professional adviser to get advice on any possible tax consequences of the transaction.

Instructions for Completing Form 41-901F/51-905F Prospectus/Annual Information Form

These instructions will help you complete Form 41-901F/51-905F *Prospectus/Annual Information Form*.

Chapter A contains general points to keep in mind when preparing your prospectus or annual information form (AIF). Parts 1 to 5 of Chapter B provide more specific instructions on how to complete the various items of the form. The numbers in those five Parts correspond to those in the form. Chapter C contains supplemental instructions for non-redeemable investment funds.

Portions of the form and these instructions are shaded. An issuer filing its prospectus must complete all items of the form, both shaded and unshaded. All AIFs need include only that information required by the unshaded items.

You should read the Issuers Guide for further guidance on all of your offering and continuous disclosure obligations under the Act and the Rules. You can find the Issuers Guide on the Commission's website at www.bcsc.bc.ca.

A. General instructions

1. Prospectuses only

(a) General

The purpose of a prospectus is to ensure that all material information about the issuer and any transaction it is doing when it enters the public market is publicly available. You must indicate on the cover page if you are filing this document as a prospectus.

In most cases, you will be filing the prospectus in connection with your initial public offering (IPO). However, you may also become a public issuer by filing a "non-offering prospectus" – in other words, it is not necessary to offer securities if you want to "go public".

(b) Financial statements

You must include in your prospectus annual and interim financial statements. See Part 4, Division C of the Rules and Part II, Section A-1(a) of the Issuers Guide for details.

(c) Early stage issuers

An issuer is an early stage issuer if it is devoting substantially all of its efforts to establishing a new business and it has not commenced its planned principal operations. An issuer will not be an early stage issuer solely because of the type of activities it carries out. For example, the principal operations of some issuers are the development of products, services or technologies.

The following are examples of factors indicating that planned principal operations *have* commenced:

- The issuer has earned significant revenue
- A significant portion of available funding is directed towards operating activities
- A significant percentage of employees is involved in operating activities
- A development project significant to the issuer's primary business objective has been completed

You should consider the issuer's specific circumstances and the industry it operates in when deciding if any of these factors is present.

A early stage issuer will usually be devoting most of its efforts to activities like:

- financial planning
- raising capital
- establishing sources of supply
- acquiring property, plant and equipment or other operating assets, such as mineral rights
- recruiting and training personnel
- developing markets
- starting up production
- if it is a natural resource issuer, exploring and developing natural resources
- if it is a technology or bio-tech issuer, research and development.

If the following factors are present, this does not necessarily mean that the issuer is an early stage issuer:

- lack of profitability
- uncertainty of cost recovery
- difficulty in valuing the consideration received in exchange for share capital.

How long an issuer is an early stage issuer varies from issuer to issuer, depending on the nature of its business and the industry it operates in. Some enterprises may become operational within weeks or months of inception, for example, an enterprise established to open a single retail store. Other enterprises may require several years of development activity before becoming operational, for example, an enterprise established to produce new and commercial applications of a bio-medical process.

2. AIFs only

Purpose of AIF

The purpose of an AIF is to update, in one convenient form, material information about the business and the issuer's affairs on the issuer's public record. As with the prospectus, you must disclose all material information about the business and the issuer's affairs.

The disclosure in the AIF is supplemented throughout the year by subsequent continuous disclosure filings including news releases, financial statements and MD&A.

3. Prospectuses and AIFs

(a) Disclose all material information

In both a prospectus and an AIF, you must disclose all material information about the business and affairs of the issuer and the transaction. Information is material if it would reasonably be expected to result in a significant change in the value or market price of any or all of the issuer's securities. The prospectus/AIF also requires you to disclose other information that may not be material, but is important for investors to know. There may also be additional information that you wish to disclose because you believe the information will be meaningful to investors and analysts.

The information required in the form is not specific to any particular industry or type of business. To disclose all material information about the issuer, you may need to include in your prospectus/AIF information in addition to that specifically called for in the form.

You cannot make material information immaterial simply by breaking the information into seemingly non-material pieces. You must disclose all information that, when taken together, is material, even though individual pieces on their own may not be material.

You should disclose both positive and negative material information. If you are unsure whether negative information is material and therefore should be disclosed, one approach is to consider whether you would disclose that information if the situation were reversed and it would have a positive effect on the issuer's business. Consider the example of a pharmaceutical company that manufactures one principal drug: the two main markets for that drug are B.C. and Alberta, but the company learns that in B.C. the drug may soon not be covered by medicare. Is this information material? The answer is clearer if you imagine the reverse situation — a company, whose sole market is Alberta, learns that in B.C. medicare may soon begin to cover the drug. Would the company not likely consider this material?

We have provided some examples in these instructions of the type of information that may be relevant to some issuers or offerings. However, these examples are not exhaustive. You must consider the specific circumstances carefully, and conclude whether the examples are relevant to the business, and whether there is other information that is material but is not caught by one of the examples. We expect you to use your judgment about what is material information rather than follow a "checklist" of disclosure requirements or adopt a "boilerplate" approach by simply copying language from the prospectuses/AIFs of others without tailoring the content to the issuer's own circumstances.

(b) Misrepresentations and liability

It is an offence to make a misrepresentation. A misrepresentation is an untrue statement of material information or the omission of material information that is required to be stated or necessary to prevent a statement from being false or misleading in the circumstances. The prohibition against misrepresentations applies both to information that is required by the form and to additional information that is provided in the form or otherwise.

Investors also have a right of action for misrepresentations. Item 4.7 *Investors' rights* of the form requires a description of these rights.

You must take care in deciding what information is material, ensure that the information is complete, and present it in a fair and balanced manner so that the statements you make in the prospectus/AIF and other disclosure are not false or misleading.

(c) Plain language

The Rules require that you prepare your prospectus/AIF in plain language. This means that you must write your prospectus/AIF so that it is easy to read and understand, using concise, clear language. See Part VI, Section A of the Issuers Guide for specific suggestions on how to write your prospectus/AIF in plain language.

(d) Presentation of information

This form is designed to be flexible, both as to the level of detail presented and the presentation itself.

You should present the information required in a way that you think will help investors make their investment decision. You may wish to include a table of contents as well as an executive summary of some of the key information in the document, since these can help readers find the information that most interests them.

You do not need to discuss the items required in exactly the order they appear in the form if you think a different presentation will be easier for investors to follow. However, we encourage you to organize the information into the following main Parts to help market participants compare your information with that of other issuers:

- The business
- Risk factors
- Management and others involved with the issuer
- General corporate information
- The transaction.

You do not need to provide disclosure about, or refer to, any item that does not apply.

(e) Duplicate information

If more than one item of the form requires disclosure of the same information, you need disclose the information only once.

(f) Date of prospectus/AIF

Your prospectus/AIF must be dated within 10 days before the date it is filed. The information in your prospectus/AIF is current as of its date unless you specify otherwise. For example, information that is based on your annual financial statements would be current as of your year-end and you should state this in your prospectus/AIF.

B. Specific instructions

Part 1 The business

Several items of the form require disclosure about “the business”. Your disclosure under these items will depend on the nature of the issuer and the offering.

Most issuers will provide disclosure about the issuer’s business; however, in some situations, you would provide disclosure about the business or project that the offering is financing.

In all cases, the relevant disclosure is that relating to the business that investors are investing in.

1.1 The business

Products and services

You should describe the products or services the issuer sells or will be selling. Generally, a description of the activities the issuer engages in and will engage in over the next 12 months will be sufficient. You should include enough information to allow a person who knows nothing about the issuer’s business to understand what the issuer does and will do.

In describing the issuer’s products and services, consider:

- how the products or services are produced or provided — for example, does the issuer make the final product or does it manufacture components and sell them to others who produce the final product?
- how the products or services are distributed — for example, is the business retail or wholesale?
- the principal markets — for example, who is the issuer selling to?
- the stage of development — for example, if the issuer plans to offer a new product, what amount of resources will it need to complete development of the product?
- any research and development — for example, how will the issuer benefit from the knowledge gained through R&D?

If the issuer is an early stage issuer, you should discuss how production or any services will change when the issuer has access to the proceeds from the transaction. This disclosure should be consistent with your discussion under item 5.4 *Use of proceeds and other available funds*.

Operations

In describing the issuer’s operations, you should discuss things like the issuer’s properties, suppliers, customers, sales and employees. Of course, other factors may be material, depending on the nature of the issuer’s business. If the issuer has any material subsidiaries, you should discuss them here.

In preparing your description, you should consider questions like:

- If the issuer has any mineral projects, what are the issuer's material projects and who are the issuer's "qualified persons", as that term is defined in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*? What is the work plan and the estimated costs of that plan? Normally, this information will be incomplete without the summary from the current technical report, as that term is used in NI 43-101, prepared and filed under NI 43-101.
- If the issuer has any oil and gas activities, what are those activities and who are the issuer's "qualified reserves evaluators or auditors", as that term is defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*? Normally, this information will be incomplete without the summary from the statement of reserves data and other oil and gas information prepared in accordance with Form 51-101F1.
- Does the issuer rely on any significant intangible assets, such as patents, trademarks, trade secrets or royalty agreements?
- Who are the issuer's major suppliers? Does the issuer depend on a limited number of suppliers for essential raw materials or other supplies? What impact will renegotiation of any supply contracts have on the issuer's business?
- Do any of the issuer's customers account for a major portion of the issuer's sales? What will the issuer do if it loses any of those customers?
- What impact will renegotiation of any major sales contracts have on the issuer's business?
- Is the business cyclical or seasonal?
- How many people work for the issuer currently? Does the issuer expect this to change significantly over the next 12 months?
- Does the issuer depend on the specialized skill or knowledge of any individual or firm?

Marketing plan

If the issuer is an early stage issuer, you should describe how it intends to make its products or services known to potential customers (a description of major target markets is likely material; tactical details may or may not be).

You should also disclose how the issuer intends to fund its marketing activities. If you intend to use transaction proceeds to fund these activities, your disclosure here should be consistent with item 5.4 *Use of proceeds and other available funds*.

Competition

In describing the issuer's competitive position, you should describe the market area that the issuer competes in or will compete in. An issuer's market area may be larger than its geographic area (if, for example, it does business mainly over the internet). You should also discuss the issuer's main competitors (including their relative size and financial and market strengths) and how the issuer competes or expects to compete with them (including, in general terms, its strategy for doing so).

Short term objectives

A discussion of short term objectives should be the major focus for early stage issuers when disclosing their objectives. However, if you are not an early stage issuer you must still discuss them if they are material.

You should consider these questions:

- What do you intend to accomplish in the next 12 months?
- What steps must you undertake to complete these goals?
- How much will it cost to meet each goal?
- When will each task begin and be completed?

For example, if you have listed a production target as an objective, to achieve that objective, you might have to hire skilled employees, expand your plant or buy new equipment. There may also be regulatory approvals involved.

You may want to organize the information in a table. We also suggest that you discuss the objectives in chronological order, since some may be dependent on others.

You should give sufficient information so that an investor can assess whether your resources will be adequate to meet your goals. Indicate whether completing any or all of the objectives will exhaust the transaction proceeds and, if so, discuss whether the you have access to other sources of funds.

You should also discuss the consequences if there are delays in achieving any of the issuer's objectives. For example, how would a delay affect the available funds?

Objectives will differ depending on the nature of the business and your resources. We have provided below some examples of short term objectives, but you should keep in mind that these are examples only:

- Registering a trademark
- Acquiring a specific contract
- Achieving a level of net sales
- Reaching a specific number of new markets
- Reaching a specific level of production
- Reaching specific natural resource exploration or development milestones.

Long term objectives

A discussion of long term objectives will likely be the focus for more developed issuers when discussing their objectives. However, early stage issuers must still discuss them if they are material.

Disclosure of these types of objectives will likely be less detailed than disclosure about short term objectives. Specific dates and costs for long term objectives may not be relevant, or even known.

Material agreements

You should disclose all material agreements relating to the business and the issuer's affairs. For example, if you have only one supplier, the supply agreement is likely crucial to the business and you should disclose it.

You should discuss these agreements when you describe the business under item 1.1 or in other appropriate Parts of the form (for example, agency agreements under Part 5).

When disclosing material agreements, you should discuss the aspects of those agreements that make the agreements material information.

Use of available funds

If the issuer is an early stage issuer, you should discuss the issuer's working capital and available funds (including the net proceeds of the transaction) and how it will use those funds.

You may want to disclose this information in a table, similar to the one required under item 5.3 *Net proceeds and other available funds*. Or, as with your discussion of material contracts, it may be more appropriate to include your use of funds discussion under the other headings set out above. For example, what portion of the issuer's available funds will you use to satisfy the issuer's short term objectives? However, if you intend to use any of the issuer's available funds in a manner not contemplated by any of the categories discussed earlier, you should still disclose this use in item 1.1.

Your discussion here should be consistent with item 5.4 *Use of proceeds and other available funds*.

Use of statistics

If you include statistical information under Part 1 or any other part of the form, you should indicate the sources for that information.

1.2 Our history and development

You should summarize the material events relating to the issuer and its business that have occurred over the three most recent financial years and any subsequent period. If the issuer's history includes a merger, spin-off, recapitalization or other similar corporate transaction, you should disclose that event. You should also disclose any important acquisition or disposition, and any bankruptcy, receivership or similar proceedings involving the issuer or any of its subsidiaries. You can disclose the issuer's history and development in item 1.1 if it is more convenient to do so.

You should also discuss the factors affecting the comparability of the information in your annual and interim financial statements, including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and major changes in the direction of the issuer's business.

Part 2 Risk factors

2.1 Risk factors

Every prospectus/AIF should contain risk factor disclosure. Every business and investment has risks. The risk factors should appear in order of importance with the most important factors appearing first. You may find it helpful to write your risk factors and determine their priority after you have completed the rest of your prospectus/AIF.

Specific, sufficient and non-boilerplate

You should avoid generalized statements and include only risk factors that are specific to the issuer, the business and the transaction. You should not use language that tends to trivialize the risks you are disclosing.

We list below some examples of risk factors. Not all of these risks will exist for all issuers and businesses. The list is not intended to be exhaustive as risks vary according to the nature of the business and the type of security offered. Therefore, there may be risks relating to the issuer, the business or the securities that are not listed. There is no specific number of risk factors that you should identify.

Categories of risk factors

There are three general categories of risk factors.

Issuer/business risks — risks that are specific to the issuer or the business, such as:

- Sensitivity to interest rate fluctuations
- Exposure to foreign currency fluctuations
- Labour relations
- Regulatory actions and approvals
- Legal or administrative proceedings
- Political risk factors
- 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.

Industry risks — risks that the issuer or the business faces because of the industry it operates in, such as:

- Commodity prices
- Environmental and industry regulation
- Product obsolescence
- Industry-wide product pricing
- Industry-wide collective bargaining.

Investment risks — risks relating to the securities being offered, such as:

- Arbitrary determination of price
- No market or an illiquid market for the securities
- Public investors in a minority position
- Subordination of debt securities
- The absence of any guarantee or other credit support for the payments to be made under the securities
- If the issuer is a foreign issuer, the potential difficulty investors may face when attempting to enforce judgments of Canadian courts in foreign jurisdictions.

Part 3 Management and others

Several items of the form require disclosure about directors, officers, and other key persons. When preparing your disclosure under these items, you should consider who is involved in running the business that purchasers are investing in.

Where the person issuing the securities is an operating entity, you should provide disclosure about the issuer's directors, officers, and other key persons. A prospectus for a project financing should include disclosure for other persons involved in the business or transaction to the extent that information is material.

For any offering, if the issuer is a limited partnership or trust, where the prospectus/AIF form requires disclosure about directors, provide disclosure about the general partner(s) or trustee(s) and manager(s). If a general partner, trustee or manager is a corporation, state the names of the directors of that general partner, trustee and manager.

If the business is managed by someone other than the issuer, you must disclose all material information about that person.

3.1 Our management

When providing the disclosure required under item 3.1, remember that *director* and *officer* include persons who perform these functions, regardless of their titles.

You should disclose sufficient information under this item to help investors understand the value of the directors' and officers' skills and experience to the issuer and the business, including relevant experience in a similar business or in another public issuer.

3.2 Arrangements with senior management and key persons

Most early stage issuers and some other issuers make arrangements to ensure that their officers and key persons stay with them for a certain period of time to help carry out the issuer's business plan. These arrangements are often made in connection with an issuer's initial public offering but can also be made in other contexts. Here are some examples of these types of arrangements:

- Escrow agreements
- Employment, non-competition or non-disclosure agreements
- Vesting periods for options
- Bonus systems.

A key person is any person who performs a function that is of material importance to the issuer. Key persons could include the original inventors of the issuer's product, members of the issuer's research and development team and the issuer's sales personnel.

3.3 Interest of management and others

Conflicts of interest

Consider whether there are any situations in which any of the persons listed in item 3.3 could benefit at the expense of the issuer or the business.

Transactions

When deciding whether to disclose a particular transaction, you should consider questions like:

- How important is it to the person with the interest?
- How important is it to the issuer or the business?
- What is the relationship between the parties to the transaction?

When describing the transaction, you should include the name of each person whose interest you are disclosing and that person's relationship to the issuer. You should also disclose the business purpose of the arrangement, any ongoing commitments resulting from the arrangement, and the transaction price and how it was determined. If you are representing that the transaction was evaluated for fairness, disclose how the evaluation was made and by whom.

An example of the type of transaction you should disclose is one in which the issuer (or any of its subsidiaries) bought or sold assets of any significance from the person. You do not need to disclose transactions whose nature, terms and conditions are in the ordinary course of the issuer's business.

3.4 Legal, administrative and bankruptcy proceedings

You should disclose under item 3.4 any penalty, sanction, settlement agreement, cease trade or similar order, or order denying access to a statutory exemption (including the reason for it and whether it is currently in effect) imposed by a securities regulatory authority (including self-regulatory organizations), any other financial regulatory body (such as the B.C. Financial Institutions Commission) or a court relating to a claim involving securities or other relevant legislation.

If there is a securities or financial regulatory proceeding pending and the relevant regulatory body has issued a notice of hearing for that proceeding, you should also disclose that.

3.5 Compensation

The purpose of your executive compensation disclosure is to allow investors to compare the compensation of the issuer's management to the issuer's performance during the relevant period, and to the compensation of management of other issuers.

To achieve this, your disclosure must be specific and tailored for each individual or group.

You should combine the discussion of individual officers' compensation only when necessary to avoid repetition. Discussion of compensation policy is only useful if it helps to explain a particular individual's compensation.

What does compensation include?

Disclose all compensation the issuer paid in its most recent financial year to its officers, non-officer directors and significant securityholders. This includes all forms of compensation, both cash and non-cash. When deciding whether something constitutes compensation, ask yourself whether the item directly or indirectly benefits the person in any way.

You may want to describe significant components of compensation in narrative form, or in footnotes to the table.

If the issuer had more than one chief executive, chief financial or chief operating officer during the year, you should disclose the compensation paid to each individual separately for acting in that capacity. If an individual served in any of those capacities for only part of the year, you should indicate the period of time that the compensation covers.

The test for who is an issuer's chief executive, chief financial or chief operating officer is based on function. You should disclose compensation for the individuals who perform the functions normally associated with those positions, regardless of their official titles.

You should include any compensation that was payable, but not paid, during the year because the officer chose to defer payment.

Cash compensation

The table asks you to separate salary and bonus and to specifically identify other types of cash compensation. When disclosing any bonuses, include bonuses that accrued in the most recent financial year that have not been paid.

You should distinguish between bonus payments, usually determined based on performance in the most recent financial year, and payments under a long-term incentive plan which are based on performance over a period longer than one financial year.

Other examples of cash compensation you should identify and separately disclose are directors' fees paid to a key executive, the amounts of any outstanding loans or reimbursed taxes.

You should also disclose, as other cash compensation, the amounts received on the exercise of company stock options or SARs during the year. (A stock appreciation right, or "SAR", is a right to receive a payment in cash or securities based on changes in the trading price of publicly traded securities.) Although this is not necessarily compensation paid directly by the issuer, it is the realization of a benefit that was awarded in a prior year.

Non-cash compensation

This would include grants of stock options, SARs and other securities-based compensation. You may wish to disclose stock options and SARs in a table that is separate from the one required in paragraph (1). Extension or replacement grants should be included.

Waived interest charges or assumed debts are other examples of non-cash compensation.

You should also include personal benefits that are not generally available to employees. Examples would be club memberships, company cars, insurance benefits, use of recreational property owned or leased by the company, discounts on company stock, products or services or subsidized tax advice. You may wish to express this compensation in monetary terms if it makes the information more meaningful.

Relationship between compensation and performance

Paragraph (3) of this item requires you to explain the compensation of key officers in the context of the issuer's performance during the year.

In addition to the factors specifically listed, you should discuss any other factors that had bearing on the amount of compensation paid. Examples of some other factors you may want to discuss are compensation paid by other, comparable companies in the issuer's sector, compensation paid for foreign assignments or to attract foreign expertise, or to recognize individual accomplishments.

You should discuss each of the listed factors whether the influence on executive compensation was positive, negative or neutral, and explain any apparent discrepancies. For example, if earnings decreased from the preceding year or stock performance was below industry average, but cash bonuses increased, you should explain this.

3.6 Securities held

For prospectus filings, you should disclose both the number of outstanding securities each person holds before the transaction, and the anticipated number of securities each will hold on completion of the transaction, assuming completion of both a minimum and maximum offering. For AIFs, the issuer need only disclose the number of outstanding securities held by each person.

“Outstanding securities” includes convertible securities such as options and warrants. For convertible securities, provide details about both the convertible and underlying securities.

Part 4 General corporate information

4.1 Business and corporate structure

Where the issuer's business or corporate structure is complex, you may wish to describe that structure, separately or together with the information required by item 4.4 *Head office and trading information*, under Part 1.

4.2 Outstanding securities and consolidated capitalization

Material changes

When discussing material changes under item 4.2(1), you should discuss any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, reorganization or other similar corporate transaction.

If several material changes have occurred, you should disclose each change, and not just the net effect of all changes. For example, if an issuer repurchased securities, then issued additional securities of the same class, and both the repurchase and issuance are material, you should report both transactions and not just the total number of securities outstanding after the issuance.

Material terms

When you are describing the material terms of the issuer's outstanding securities, you may want to present the information in the form of a capitalization table.

Material terms of the issuer's outstanding securities could include:

- Shares or other equity interests which are subject to rights, options or warrants
- Restrictions on voting or rights to participate in earnings, assets or a takeover bid
- Information relating to dividends paid or payable by the issuer
- Details of any ratings from an approved rating organization
- Constraints on ownership of the issuer's securities to ensure a certain percentage of Canadian securityholders and the issuer's plans for monitoring and maintaining that percentage.

4.3 Escrowed securities

In an escrow arrangement, an issuer's principals (typically directors, officers and founding shareholders) place their securities in escrow with an escrow agent. The principals are then restricted from selling or dealing in other ways with the escrowed securities until they are released from escrow, usually according to an agreement. When providing details of any escrow arrangement under item 4.3(2), you might wish to include the name of the escrow agent.

4.4 Head office and trading information

You may wish to include this information on the cover page of the prospectus/AIF. If you do so, you need not repeat that information in the body of the prospectus/AIF.

4.9 Disclosure for issuers not filing information circulars

Issuers that do not file an information circular in a given year must include in their AIF certain disclosure required by Form 54-902F *Information Circular*.

While issuers filing an information circular do not have to include that disclosure in their AIF, you should consider including in the AIF a cross-reference to the place in the information circular where disclosure relating to executive compensation can be found.

Part 5 The transaction

5.2 The transaction

All transactions

What you disclose in item 5.2 will differ depending on the type of securities you are offering. However, there is some information you should disclose regardless of the type of transaction. For example:

- The type of securities offered
- The price per security and how the price was determined
- The maximum and minimum number of securities offered
- The material terms of any transaction agreement
- Any restrictions on resale of the securities
- The exchange or other market where securities of the class being offered, trade or are expected to trade (and whether the issuer has received conditional listing approval)
- Any intention to stabilize the market
- Arrangements to deal with funds received if there is a minimum amount of funds to be raised
- Whether the securities are underwritten, under option or to be sold on a best efforts basis, including details.

Compensation paid

You should also disclose under this item any compensation paid to third parties in connection with the transaction, including commissions, corporate finance fees and finder's fees, but excluding legal, accounting and other similar costs. Here are some examples of the types of things you should disclose when you describe such compensation:

- Who is receiving the compensation
- The type of compensation and the estimated amount to be paid for each type
- The percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering)
- 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).

Post-receipt pricing

We will generally not issue a receipt for an IPO prospectus that excludes information about the price of the securities offered. Without this information, your disclosure about the anticipated proceeds of the offering and the intended use of those proceeds will be incomplete. Since a new public issuer does not have a continuous disclosure record, this lack of pricing and proceeds information means that purchasers would not have sufficient information about the issuer to make an informed investment decision.

Underwriters and agents

Here are some example of the types of things you should disclose when you describe the arrangements between the underwriter or other registrant and the issuer in connection with the sale of the securities:

- The underwriter's obligations and any conditions on those obligations
- The underwriter's right, if any, to decrease the price per security
- The underwriter's compensation (discounts, commissions or other)
- Any over-allotment option.

For guidance on whether the relationship between the issuer and its underwriter could affect the underwriter's independence, see the Code of Conduct in the Schedule to the Rules.

Reverse takeovers

If the transaction involves a business combination that will be accounted for as a reverse takeover, you should disclose in your prospectus information about both the issuer and the business being acquired in sufficient detail so that an investor is able to understand the resulting business and its future prospects.

Material acquisitions

If the transaction involves an acquisition that is material information, you should disclose sufficient information to enable an investor to appreciate the impact of the acquisition on the issuer and the business. In some cases, disclosing the financial statements of the acquired business may be the most meaningful way to disclose material information about the acquisition.

Shares

State if the issuer is offering common shares.

For shares other than common shares, here are the types of things you should disclose:

- Voting rights or restrictions
- Dividend rights, restrictions and policies
- Rights on dissolution or winding-up
- Pre-emptive rights
- Conversion or exchange rights
- Redemption, retraction or similar rights
- Sinking or purchase fund provisions
- Material restrictions
- Provisions requiring a shareholder to contribute capital
- Provisions as to modification, amendment or variation of any rights
- Information about any other securities of the issuer that limit or qualify the rights of the shares or that rank ahead of or equally with them
- Earnings coverage ratios.

Debt securities

If the issuer is offering debt securities, here are the types of things you should disclose:

- Interest rates
 - Maturity date
 - Effective yield if securities held to maturity (if applicable)
 - Conversion or exchange rights
 - Redemption, retraction or similar rights
 - Sinking or purchase fund provisions
 - Any security for payments under the securities
 - The issuer's financial arrangements that could affect any security for payments under the securities
 - Earnings coverage ratios
 - Any ratings from an approved rating organization
 - Material restrictions
-
- Provisions as to modification, amendment or variation of any rights
 - The identity of and any arrangements with a trustee.

Guarantor

If a guarantor has guaranteed all or substantially all of the payments to be made under the securities being offered, you should disclose material information about the guarantor, its role in the offering and any security provided for the guarantee. In some cases, for instance when the guarantee is unsecured, it may be appropriate to include in the prospectus financial statements of the guarantor.

Other securities

If the issuer is offering any other type of securities, you should disclose the material terms and conditions of those securities.

5.3 Net proceeds and other available funds

You should include in row B of the table under "Other" all direct, indirect and miscellaneous costs of the transaction. Some examples of these costs are:

- Legal, accounting and audit fees
- Consulting fees
- Advertising and filing costs.

5.4 Use of proceeds and other available funds

Disclose the principal purposes for the use of the net proceeds of the transaction (and, for early stage issuers, of other available funds), in order of priority, and the amount to be used for each purpose. You may want to disclose this information in a table.

You should be specific about when and how you will use the proceeds (or total available funds) and how the cost of each material item was determined. If the issuer is an early

stage issuer, stating that the issuer will use the funds for "general corporate purposes" will not help investors make their investment decision.

You may want to use categories like the following: leases, rent, payroll, purchase or lease of equipment or inventory, repayment of debt, property payments, exploration costs. Of course, the categories you use will depend on the nature of the issuer's business and its business plan. Therefore, these categories are examples only and are not exhaustive.

If the issuer is an early stage issuer and has a working capital deficiency, you should disclose any portion of the net proceeds that will be applied to that deficiency.

Your disclosure here should be consistent with item 1.1 *The business*.

Insufficient funds

You should disclose what you will do if you do not raise enough money in the transaction to carry out the business plan. For example, do you have access to alternate sources of funding? Are these sources firm or contingent?

Remember that insufficiency of funds to accomplish business objectives should also be disclosed under Part 2 *Risk Factors* if this constitutes a risk that is material to the issuer, the business or the securities.

Reallocation

You should also consider how you will reallocate the proceeds (funds) if the issuer's circumstances change and the originally intended use of proceeds (funds) no longer applies. For example, if you intend to use the proceeds (funds) from the transaction to fund a new business, you should discuss how you will use the proceeds (funds) if you are unable to obtain the necessary approvals for that business.

5.5 Project financing and limited partnership offering

The disclosure required by this item is required only for certain types of offerings, such as project financings, limited partnership offerings, and similar transactions. The term "transaction agreement" does not include subscription agreements.

C. Supplemental instructions for non-redeemable investment funds

These supplemental instructions provide additional guidance to help you complete Form 41-901F/51-905F *Prospectus/Annual Information Form* for a non-redeemable investment fund, and should be read together with Chapters A and B of the “Instructions for Completing Form 41-901F/51-905F *Prospectus/Annual Information Form*”.

Non-redeemable investment funds include issuers which are collective investment vehicles but are not mutual funds, generally because they are not redeemable on demand – employee venture capital corporations and venture capital corporations are examples of these funds. Another example is a limited partnership investing in a portfolio of flow-through shares of resource issuers. Non-redeemable investment funds should use the same prospectus/ AIF form as other issuers, but adapt it to suit their circumstances.

These supplementary instructions provide guidance on how non-redeemable investment funds should complete some of the items of the form. Depending on the specific nature of the non-redeemable investment fund, you may have to provide disclosure about some or all of the other items in the form.

Alternatively, non-redeemable investment funds may use the simplified prospectus and AIF prescribed for mutual funds under National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, with appropriate modifications. The instructions that follow assume that you are using Form 41-901F/51-905F *Prospectus/Annual Information Form*.

Prospectus filings

A fund must file a prospectus before it enters the public market. Generally, where the fund is a new fund, its prospectus will include little or no disclosure of prior operations. Rather, the disclosure should focus on the fund’s investment objectives and strategies, and management. A fund whose units have previously been sold under exemptions from the prospectus and registration requirements must also file a prospectus where the fund is entering the public market for the first time.

You must file financial statements with the prospectus even though they may show little activity other than an initial investment by the manager.

With your draft prospectus, you must file the PIF and consent referred to in item 1(e) of Chapter A *General Instructions* above to enable us to conduct a criminal records check for each director and officer of the fund manager as well as for the officers and directors of the fund itself. You do not need to provide the PIF and consent for “vice-presidents” who do not perform the functions of officers (see Part 3 below).

Part 1 The business

1.1 The business

You should include the following under this item:

- A brief, general description of the fund.
- A discussion of the fund's fundamental investment objectives and the type or types of securities that the fund will primarily invest in.
- A discussion of the fund's investment strategies.
- A description of any investment restrictions, including those arising under a fund's governing legislation such as the *Employee Investment Act* and *Small Business Venture Capital Act*.
- A discussion of investment suitability, for example, who should invest in the fund, who should not invest in it, whether it is primarily suitable for taxable or RRSP-type accounts, what degree of risk tolerance an investor should have, and how an investment in the fund might be suitable as a component of an investor's overall portfolio.
- An explanation of how the fund will distribute its income to its investors. For example, whether it will be paid out in cash, or reinvested in new securities of the fund, and what different options investors have.

You should also include:

- A comprehensive summary of all fees and expenses payable by the fund and the investors, as well as fees paid directly to dealers by the fund manager as compensation for selling the fund's securities to investors.
- Disclose the fund's management expense ratio for each of the five most recent financial years.
- A description of the fund's valuation methodology.
- A brief summary of any special considerations arising from the fund's governing legislation (such as the *Employee Venture Capital Act* or the *Small Business Venture Capital Act*).
- A brief summary of any special income tax considerations affecting the fund and its securityholders, excluding those affecting all investments generally. If income tax consequences are a material aspect of the securities being offered, include the disclosure required under item 5.6 *Income tax consequences* of the form, for both prospectuses and AIFs.

Funds that continuously issue new securities and redeem outstanding securities are said to be in "continuous distribution." For such funds also disclose:

- How to purchase and redeem securities of the fund
- How the fund calculates the issuance and redemption prices, and how often these prices are calculated
- How long investors must hold the securities before they can be redeemed and what exceptions there are to the normal hold periods, if any.

1.2 Our history and development

Under this item, you should include a brief history of the fund, and an explanation of the respective entities involved in operating the fund, such as the fund manager and the portfolio manager, if these entities are separate from the fund itself.

For a prospectus, if the fund is not new, include some information about the companies that the fund invests in and the general conditions affecting the businesses in which investee companies operate.

Part 2 Risk Factors

The instructions to the form divide risks into three categories. You should include at least these items under the respective categories:

- Issuer risks – the risks inherent in the type of investments that the fund holds, such as venture capital investments.
- Industry risks – risks arising from the environment in which the fund operates, such as uncertainties arising from the fund’s governing legislation or income tax legislation.
- Investment risks – risks arising from the limited redeemability or transferability of the fund’s securities, and income tax consequences of early redemption.

Part 3 Management and others involved with the issuer

If there is a separate legal entity acting as fund manager, you should provide the information required under this Part for both the fund itself and the fund manager.

You should provide disclosure only for directors and officers or partners of the fund and the fund manager. In the investment industry, the title “vice president” is sometimes given to individuals who do not perform the functions of officers. You do not need to provide disclosure for these individuals.

Part 4 General corporate information

You should disclose under this Part any information about the share capital and management structure that you have not otherwise disclosed under Part 1.

Part 5 Prospectus filings

Under this Part, you should disclose, at a minimum, the following for a new fund:

- The minimum offering size for the fund to be viable and how that size has been determined.
- Plans for diversification, in the light of the fund’s investment strategies, and any alternatives if a limited amount of funds is raised.
- How long the initial offering period will last.
- The method for pricing the securities offered during the initial offering period, if that method is different to that disclosed under Part 1.