

Appendix B

Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Companion Policy

Schedule B-1

Proposed Amendment Instrument for National Instrument 51-102 *Continuous Disclosure Obligations*

Although this amendment instrument amends section headers in National Instrument 51-102, section headers do not form part of the instrument and are inserted for ease of reference only.

1. ***National Instrument 51-102 Continuous Disclosure Obligations is amended by this instrument.***
2. ***Subsection 1.1(1) of National Instrument 51-102 is amended by***
 - (a) ***before the definition of “AIF”, adding the following definition:***

“acquisition date” means the acquisition date required for accounting purposes;
 - (b) ***in the definition of “AIF”, striking out “, Form 10-KSB”,***
 - (c) ***repealing the definition of “date of acquisition”,***
 - (d) ***after the definition of “common share”, adding the following definition:***

“date of transition to IFRS” means the date of transition to IFRSs as that term is defined in Canadian GAAP;
 - (e) ***in the definition of “financial outlook”,***
 - (i) ***striking out “results of operations” and substituting “financial performance”, and***
 - (ii) ***striking out “balance sheet, income statement or cash flow statement” and substituting “statement of financial position, statement of comprehensive income or statement of cash flows”,***
 - (f) ***after the definition of “financial outlook”, adding the following definitions:***

“financial statements” includes interim financial reports;

“first IFRS financial statements” has the meaning ascribed to that term in Canadian GAAP;

- (g) **in the definition of** “FOFI”, or “future-oriented financial information”,
 - (i) **striking out** “results of operations” **and substituting** “financial performance”, **and**
 - (ii) **striking out** “balance sheet, income statement or cash flow statement” **and substituting** “statement of financial position, statement of comprehensive income or statement of cash flows”,
- (h) **repealing the definition of** “income from continuing operations”,
- (i) **after the definition of** “form of proxy”, **adding the following definition:**

“forward-looking information” means disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented either as a forecast or a projection;
- (j) **repealing the definition of** “inter-dealer bond broker” **and substituting the following:**

“inter-dealer bond broker” means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;
- (k) **in the definition of** “issuer’s GAAP”, **striking out** “National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*” **and substituting** “NI 52-107”,
- (l) **in the definition of** “MD&A”, **striking out** “or Item 303 of Regulation S-B”,
- (m) **after the definition of** “new financial year”, **adding the following definition:**

“NI 52-107” means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
- (n) **after the definition of** “old financial year”, **adding the following definition:**

“operating income” means gross revenue minus royalty expenses and production costs;

(o) ***repealing the definition of “reverse takeover” and substituting the following:***

“reverse takeover” means a reverse acquisition, as defined in Canadian GAAP applicable to publicly accountable enterprises, or a transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity;

(p) ***after the definition of “transition year”, adding the following definition:***

“U.S. AICPA GAAS” has the same meaning as in NI 52-107;

(q) ***repealing the definition of “U.S. GAAP” and substituting the following:***

“U.S. GAAP” has the same meaning as in NI 52-107;

(r) ***after the definition of “U.S. GAAP”, adding the following definition:***

“U.S. PCAOB GAAS” has the same meaning as in NI 52-107; ***and***

(s) ***in the definition of “venture issuer”, striking out “date of acquisition” and substituting “acquisition date”.***

3. Section 4.1 of National Instrument 51-102 is amended by

(a) ***repealing subsection (1) and substituting the following:***

(1) Subject to subsection 4.8(6), a reporting issuer must file annual financial statements that include

(a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for

(i) the most recently completed financial year; and

(ii) the financial year immediately preceding the most recently completed financial year, if any;

(b) a statement of financial position as at the end of each of the periods referred to in paragraph (a);

(c) a statement of financial position as at the beginning of the financial year immediately preceding the most recently completed financial year in the case of a reporting issuer that discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS and that

- (i) applies an accounting policy retrospectively in its annual financial statements,
- (ii) makes a retrospective restatement of items in its annual financial statements, or
- (iii) reclassifies items in its annual financial statements;
- (d) in the case of a reporting 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., **and**

(b) adding the following after subsection (2):

- (3) If a reporting 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)..

4. Section 4.3 of National Instrument 51-102 is amended by

- (a) in the title, striking out “Interim Financial Statements” and substituting “Interim Financial Report”,**
- (b) in subsection (1), striking out “interim financial statements for interim periods” and substituting “an interim financial report for each interim period”,**
- (c) repealing subsection (2) and substituting the following:**
 - (2) Subject to subsections 4.7(4), 4.8(7), 4.8(8) and 4.10(3), the interim financial report required to be filed under 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 a reporting 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 immediately preceding financial year in the case of a reporting issuer that discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) 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.,

(d) adding the following after subsection (2):

- (2.1) If a reporting 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),

(e) in subsection (3),

- (i) **in the title, striking out** "Interim Financial Statements" **and substituting** "an Interim Financial Report",
- (ii) **striking out** "interim financial statements" **wherever it occurs and substituting** "interim financial report",
- (iii) **in paragraph (a),**
 - (A) **striking out** "review of the" **and substituting** "review of an", **and**

- (c) *in paragraphs (a) and (b), striking out “interim financial statements” wherever it occurs and substituting “an interim financial report” .*
- 6. *Section 4.5 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1), adding “annual” before “financial”,*
 - (b) *in subsection (2),*
 - (i) *striking out “financial statements” and substituting “interim financial report”, and*
 - (ii) *striking out “statements are” and substituting “report is”, and*
 - (c) *in subsection (3), striking out “financial statements” and substituting “interim financial report”.*
- 7. *Section 4.6 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1), striking out “interim financial statements” wherever it occurs and substituting “interim financial reports”, and*
 - (b) *in subsection (3), striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial reports”, and*
 - (c) *in subsection (4), striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial reports”.*
- 8. *Section 4.7 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1), striking out “annual and interim financial statements” and substituting “annual financial statements and interim financial reports”,*
 - (b) *in subsection (2), adding “annual” after “those”,*
 - (c) *in subsection (3),*
 - (i) *striking out “interim financial statements” and substituting “an interim financial report”, and*
 - (ii) *striking out “those financial statements” and substituting “that interim financial report”, and*
 - (d) *in paragraph (4)(c), striking out “interim financial statements” and substituting “interim financial report”.*

9. *Section 4.8 of National Instrument 51-102 is amended by*

- (a) *in subsection (3),*
 - (i) *in paragraph (e), striking out* “the interim and annual financial statements” *and substituting* “each interim financial report and the annual financial statements”,
 - (ii) *in paragraph (f), striking out* “the interim and annual financial statements” *and substituting* “the annual financial statements and interim financial reports”,
- (b) *in subsection (5), striking out* “interim financial statements” *and substituting* “an interim financial report”,
- (c) *repealing subsection (6) and substituting the following:*
 - (6) **Comparative Financial Information in Annual Financial Statements for New Financial Year** – If a transition year is less than nine months in length, the reporting issuer must include as comparative financial information to its annual financial statements for its new financial year
 - (a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements for its transition year;
 - (b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements for its old financial year;
 - (c) a statement of financial position as at the beginning of the old financial year in the case of a reporting issuer that discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS and that
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements; and
 - (d) in the case of a reporting issuer’s first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS. ,

(d) *repealing subsection (7) and substituting the following:*

(7) **Comparative Financial Information in each Interim Financial Report if Interim Periods Not Changed in Transition Year** – If interim periods for the reporting issuer’s transition year end three, six, nine or twelve months after the end of its old financial year, the reporting issuer must include

- (a) as comparative financial information in each interim financial report during its transition year, the comparative financial information required by subsection 4.3(2), except if an interim period during the transition year is 12 months in length and the reporting issuer’s transition year is longer than 13 months, the comparative financial information must be the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows for the 12 month period that constitutes its old financial year;
- (b) as comparative financial information in each interim financial report during its new financial year
 - (i) a statement of financial position as at the end of its transition year; and
 - (ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for the periods in its transition year or old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;
- (c) a statement of financial position as at the beginning of the earliest comparative period in the case of a reporting issuer that discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) reclassifies items in its interim financial report; and

- (d) 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*

(e) *repealing subsection (8) and substituting the following:*

- (8) **Comparative Financial Information in Interim Financial Reports if Interim Periods Changed in Transition Year** – If interim periods for a reporting issuer’s transition year end twelve, nine, six or three months before the end of the transition year, the reporting issuer must include
 - (a) as comparative financial information in each interim financial report during its transition year
 - (i) a statement of financial position as at the end of its old financial year; and
 - (ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for periods in its old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the transition year;
 - (b) as comparative financial information in each interim financial report during its new financial year
 - (i) a statement of financial position as at the end of its transition year; and
 - (ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows in its transition year or old financial year, or both, as appropriate, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;
 - (c) a statement of financial position as at the beginning of the earliest comparative period in the case of a reporting issuer that discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting* and that
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or

- (iii) reclassifies items in its interim financial report; and
 - (d) 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.
- 10. **Paragraph 4.9(h) of National Instrument 51-102 is amended by striking out** “interim and annual financial statements” **and substituting** “interim financial reports and the annual financial statements”.
- 11. **Section 4.10 of National Instrument 51-102 is amended by**
 - (a) **in paragraph (2)(c), striking out** “the interim financial statements” **and substituting** “each interim financial report”.
 - (b) **in subsection (3),**
 - (i) **in the title, striking out** “Interim Financial Statements” **and substituting** “each Interim Financial Report”, **and**
 - (ii) **in paragraph (c), striking out** “interim financial statements” **and substituting** “interim financial report”.
- 12. **Section 4.11 of National Instrument 51-102 is amended by**
 - (a) **in subsection (1), in the definition of** “disagreement”,
 - (i) **striking out** “interim financial statements” **wherever it occurs and substituting** “interim financial report”, **and**
 - (ii) **striking out** “reservation” **wherever it occurs and substituting** “modified opinion”,
 - (b) **in subsection (2), striking out** “Handbook” **and substituting** “issuer’s GAAP”, **and**
 - (c) **in paragraph (7)(d),**
 - (i) **striking out** “any reservation” **and substituting** “a modified opinion”, **and**
 - (ii) **striking out** “each reservation” **and substituting** “each modification”.
- 13. **Section 5.1 of National Instrument 51-102 is amended by**

- (a) *in subsection (1), striking out “annual and interim financial statements” and substituting “annual financial statements and each interim financial report”,*
- (b) *in subsection (1.1), striking out “annual and interim financial statements” and substituting “annual financial statements and interim financial reports”,*
- (c) *in subsection (2),*
 - (i) *in the preamble, striking out “by” and substituting “on or before”, and*
 - (ii) *in paragraph (a), striking out “annual and interim financial statements” and substituting “annual financial statements and each interim financial report”.*

14. Section 5.2 of National Instrument 51-102 is amended by

- (a) *in the title, striking out “and Supplement”,*
- (b) *in subsection (1), striking out “or Item 303 of Regulation S-B”,*
- (c) *repealing subsection (1.1), and*
- (d) *repealing subsection (2).*

15. Section 5.3 of National Instrument 51-102 is amended by

- (a) *repealing subsection (1) and substituting the following:*
 - (1) A venture issuer that has not had significant revenue from operations in either of its last two financial years, must disclose in its MD&A, for each period referred to in subsection (2), a breakdown of material components of
 - (a) exploration and evaluation assets or expenditures;
 - (b) expensed research and development costs;
 - (c) intangible assets arising from development;
 - (d) general and administration expenses; and
 - (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d);

and if the venture issuer's business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

- (b) *in paragraph (2)(b), striking out “interim financial statements” and substituting “interim financial report”, and*
 - (c) *in subsection (3), striking out “or MD&A supplement”.*
- 16. *Subsection 5.4(1) of National Instrument 51-102 is amended by striking out “, or in its MD&A supplement if one is required under section 5.2,”.*
- 17. *Section 5.5 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1), striking out “and any annual MD&A supplement”,*
 - (b) *in subsection (2), striking out “and any interim MD&A supplement”, and*
 - (c) *in subsection (3), striking out “and any MD&A supplement”.*
- 18. *Section 5.6 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1),*
 - (i) *striking out “and any MD&A supplement required under section 5.2”, and*
 - (ii) *striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report”,*
 - (b) *in subsection (2), striking out “or MD&A supplement”,*
 - (c) *in subsection (3), striking out “and any related MD&A supplement” wherever it occurs, and*
 - (d) *in subsection (4), striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial report”.*
- 19. *Section 5.7 of National Instrument 51-102 is amended by*
 - (a) *in subsection (1), striking out “, or in its MD&A supplement if one is required under section 5.2,”,*
 - (b) *repealing paragraph (1)(a) and substituting the following:*
 - (a) *summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and,*

- (c) *in paragraph (1)(b), striking out “earnings” and substituting “profit or loss”,*
- (d) *in paragraph (2)(b), striking out “statements” and substituting “report”, and*
- (e) *in paragraph (3)(a), striking out “or MD&A supplement”.*

20. Section 5.8 of National Instrument 51-102 is amended by

- (a) *in subsection (2), striking out “, or MD&A supplement if one is required under section 5.2,”,*
- (b) *in subsection (3),*
 - (i) *striking out “or MD&A supplement” wherever it occurs, and*
 - (ii) *in subparagraph (b)(iii), striking out “on” and substituting “at”,*
- (c) *in subsection (4), striking out “, or MD&A supplement if one is required under section 5.2,”,*
- (d) *in subsection (5),*
 - (i) *in paragraph (a), striking out “, in its MD&A or MD&A supplement if one is required under section 5.2, disclose” and substituting “disclose in its MD&A”, and*
 - (ii) *in paragraph (b), striking out “or MD&A supplement” wherever it occurs, and*
- (e) *in subsection (6),*
 - (i) *striking out “or MD&A supplement” wherever it occurs, and*
 - (ii) *in subparagraph (b)(iii), striking out “on” and substituting “at”.*

21. Section 6.2 of National Instrument 51-102 is amended by

- (a) *in paragraph (b), striking out “in” after “AIF” and substituting “on”, and*
- (b) *striking out “, Form 10-KSB” wherever it occurs.*

22. Subsection 8.1(1) of National Instrument 51-102 is amended by, after the definition of “acquisition of related businesses”, adding the following definition:

“acquisition test profit or loss” means profit or loss, adjusted to exclude discontinued operations and income taxes;.

23. **Section 8.2 of National Instrument 51-102 is amended by striking out** “date of acquisition” **wherever it occurs and substituting** “acquisition date”.
24. **Section 8.3 of National Instrument 51-102 is amended by**
 - (a) **striking out** “date of the acquisition” **and** “date of acquisition” **wherever it occurs and substituting** “acquisition date”,
 - (b) **striking out** “income from continuing operations” **wherever it occurs and substituting** “acquisition test profit or loss”,
 - (c) **in the preamble to subsection (2), adding** “and subject to subsections (4.1) and (4.2)” **after** “subsection (1)”,
 - (d) **in paragraph (2)(a), adding** “annual” **before** “financial statements”,
 - (e) **in paragraph 2(c),**
 - (i) **in the title, striking out** “Income” **and substituting** “Profit or Loss”, **and**
 - (ii) **adding** “annual” **before** “financial statements”,
 - (f) **in subsection (4),**
 - (i) **in the preamble, adding** “and subject to subsections (4.1) and (4.2)” **after** “subsection (3)”, **and**
 - (ii) **in paragraph (c), in the title, striking out** “Income” **and substituting** “Profit or Loss”,
 - (g) **adding the following after subsection (4):**
 - (4.1) For the purposes of calculating significance under the significance tests in subsection (2) or re-calculating significance under the optional significance tests in subsection (4), the reporting issuer must not remeasure its previously held equity interest in the business or related businesses and must not
 - (a) include the remeasurement in the asset test or the investment test, or
 - (b) include any resulting gain or loss from remeasurement in the profit or loss test.

- (4.2) For the purposes of the significance test in paragraph (2)(b) and the optional significance test in paragraph (4)(b), the reporting issuer's investments in and advances to the business or related businesses must include
- (a) the consideration transferred for the acquisition, measured in accordance with the issuer's GAAP,
 - (b) payments made in connection with the acquisition which do not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, and
 - (c) contingent consideration for the acquisition measured in accordance with the issuer's GAAP.,
- (h) *in the title to subsection (7), striking out "Income" and substituting "Profit or Loss",*
- (i) *in the title to subsection (8), striking out "Income" wherever it occurs and substituting "Profit or Loss",*
- (j) *in subsection (9),*
- (i) *in the title, striking out "Income" wherever it occurs and substituting "Profit or Loss", and*
 - (ii) *striking out "income" after "average consolidated" and substituting "acquisition test profit or loss",*
- (k) *in subsection (10),*
- (i) *in the title, striking out "Income" and substituting "Profit or Loss", and*
 - (ii) *striking out "income" after "average consolidated" and substituting "acquisition test profit or loss",*
- (l) *in subsection (11),*
- (i) *in the title, striking out "Step-By-Step Acquisitions" and substituting "Multiple Investments in the Same Business", and*
 - (ii) *striking out "a "step-by-step" purchase as described in the Handbook" and substituting "multiple investments in the same business",*
- (m) *in subsection (11.1),*

- (i) *in the title, striking out “Income” and substituting “Profit or Loss”, and*
- (ii) *striking out “income test” and substituting “profit or loss test”,*
- (n) *in subsection (12), striking out “annual audited financial statements” and substituting “audited annual financial statements”,*
- (o) *in subsection (13), striking out “reporting currency” and substituting “presentation currency”, and*
- (p) *in subsection (14), striking out “subsection 6.1(1) of National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “subsections 3.11(1), 3.11(2) and 3.11(3) of NI 52-107”.*

25. Section 8.4 of National Instrument 51-102 is amended by

- (a) *striking out “date of acquisition” wherever it occurs and substituting “acquisition date”,*
- (b) *striking out “balance sheet” wherever it occurs and substituting “statement of financial position”,*
- (c) *in paragraph (1)(a), striking out “an income statement, a statement of retained earnings and a cash flow statement” and substituting “a statement of comprehensive income, a statement of changes in equity and a statement of cash flows”,*
- (d) *in the title to subsection (3), striking out “Interim Financial Statements” and substituting “Interim Financial Report”,*
- (e) *after subsection (3), adding the following:*
 - (3.1) **Contents of Interim Financial Report if Acquisition Statements are Prepared in Accordance with Canadian GAAP Applicable to Private Enterprises** – If a reporting issuer is required under subsection (3) to include an interim financial report in a business acquisition report and the financial statements for the business or related businesses acquired are prepared in accordance with Canadian GAAP applicable to private enterprises, as permitted under NI 52-107, then the interim financial report must include
 - (a) a balance sheet as at the end of the interim period and a balance sheet as at the end of the immediately preceding financial year, if any;

- (b) an income statement, a statement of retained earnings and a cash flow statement, 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; and
- (c) notes to the financial statements.

(3.2) **Application** – Subsection (3.1) does not apply in Ontario.

(f) in subsection (4),

(i) in the title, striking out “Interim”, and

(ii) in paragraph (a), adding “and” after “before the acquisition;”,

(g) repealing paragraph (4)(b),

(h) in subparagraph (5)(b),

(i) in clause (i)(B), striking out “financial statements” and substituting “an interim financial report”, and

(ii) in subparagraph (ii), striking out “an income statement” and substituting “a statement of comprehensive income”,

(i) in the title to subsection (6), striking out “Interim”, and

(j) in paragraph (7)(e), striking out “, gross profit and income” and substituting “and profit or loss”.

26. Section 8.6 of National Instrument 51-102 is amended by

(a) repealing subparagraph (b)(i) and substituting the following:

(i) summarizes financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and,

(b) in subparagraph (b)(ii), striking out “earnings” and substituting “profit or loss”, and

(c) in subparagraph (d)(iii), striking out “reservation” and substituting “modified opinion”.

27. Section 8.9 of National Instrument 51-102 is amended by

- (a) *in the preamble, striking out “interim financial statements” and substituting “an interim financial report”, and*
- (b) *in paragraph (c), striking out “interim financial statements” and substituting “interim financial report”.*

28. *Section 8.10 of National Instrument 51-102 is amended by*

- (a) *in subsection (2),*
 - (i) *in the title, striking out “Income” and substituting “Profit or Loss”,*
 - (ii) *striking out “consolidated income from continuing operations” and substituting “acquisition test profit or loss”, and*
 - (iii) *striking out “income test” and substituting “profit or loss test”, and*
- (b) *repealing paragraph (3)(d).*

29. *Section 8.11 of National Instrument 51-102 is amended by*

- (a) *in the title, striking out “Step-By-Step Acquisitions” and substituting “Multiple Investments in the Same Business”,*
- (b) *striking out “a “step-by-step” purchase as described in the Handbook” and substituting “multiple investments in the same business”.*

30. *Part 8 of National Instrument 51-102 is amended by adding the following after section 8.11:*

8.12 Exemption for financial statements of a business or related businesses prepared in accordance with Canadian GAAP applicable for private enterprises

- (1) This section does not apply in Ontario.
- (2) Subsection 8.3(13) does not apply if the financial statements for the business or related businesses referred to in subsections 8.3(2) and (4)
 - (a) are prepared in accordance with Canadian GAAP applicable to private enterprises;
 - (b) consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method; and

- (c) were not prepared in accordance with any of the accounting principles specified in paragraphs 3.11(1)(a) through (e) of NI 52-107.
- (3) Despite subsection (2), for the purposes of the significance tests in subsections 8.3(2) and (4), the financial statements of the business or related businesses must be translated into the same presentation currency as that used in the reporting issuer's financial statements.
31. **Paragraph 9.4(9)(a) of National Instrument 51-102 is amended by adding** “or, in the case of a solicitation under subsection 9.2(4), the document required under paragraph 9.2(6)(a)” **after** “circular”.
32. **Subsection 10.1(3) of National Instrument 51-102 is amended by striking out** “interim financial statements” **and substituting** “an interim financial report”.
33. **Section 11.4 of National Instrument 51-102 is amended by striking out** “results of operations” **and substituting** “financial performance”.
34. **Paragraph 11.5(b) of National Instrument 51-102 is amended by striking out** “retroactive” **and substituting** “retrospective”.
35. **Section 13.4 of National Instrument 51-102 is amended by**
- (a) **in subsection (1),**
 - (i) **in the definition of** “designated credit support securities”,
 - (A) **adding** “securities” **after** “debt” **wherever it occurs,**
 - (B) **striking out** “is” **and substituting** “are”, **and**
 - (C) **striking out** “and” **after** “supporter within 15 days of any failure by the credit support issuer to make a payment;”,
 - (ii) **adding** “and” **after the definition of** “subsidiary credit supporter”, **and**
 - (iii) **in the definition of** “summary financial information”,
 - (A) **striking out** “sales or revenues” **and substituting** “revenue”,
 - (B) **striking out** “income” **and substituting** “profit or loss”,
 - (C) **striking out** “net earnings” **and substituting** “profit”, **and**
 - (D) **striking out** “balance sheet” **and substituting** “statement of financial position”,

- (b) *in paragraph (2)(g),*
 - (i) *in the preamble, striking out* “the interim and annual financial statements” *and substituting* “each consolidated interim financial report and consolidated annual financial statements”,
 - (ii) *in clause (i)(A), striking out* “revenues” *and substituting* “revenue”, *and*
 - (iii) *in subparagraph (ii), striking out* “interim or annual consolidated” *and substituting* “consolidated interim financial report or consolidated annual”,
- (c) *in paragraph (2.1)(c),*
 - (i) *striking out* “the interim and annual consolidated” *and substituting* “each consolidated interim financial report and the consolidated annual”, *and*
 - (ii) *striking out* “any interim or annual consolidated” *and substituting* “any consolidated interim financial report or consolidated annual”, *and*
- (d) *in paragraph (2.2)(b), striking out* “revenues” *and substituting* “revenue”.

36. Part 14 of National Instrument 51-102 is amended by adding the following after section 14.2:

14.3 Transition – Interim Financial Report

- (1) Despite section 4.4 and paragraph 4.10(2)(c), 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 must be filed
 - (a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of
 - (i) the 75th day after the end of the interim period; and
 - (ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period; or
 - (b) in the case of a venture issuer, on or before the earlier of
 - (i) the 90th day after the end of the interim period; and
 - (ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period.

- (2) Despite subsection 5.1(2), the MD&A required to be filed under subsection 5.1(1) relating to 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 must be filed on or before the earlier of
 - (a) the filing deadline for the interim financial report set out in subsection (1); and
 - (b) the date the reporting issuer files the interim financial report under subsections (1) or 4.3(1), as applicable.
- (3) Despite subsection 4.6(3), if a registered holder or beneficial owner of securities, other than debt instruments, of a reporting issuer requests the issuer's 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, the reporting issuer must send a copy of the required interim financial report and the interim MD&A relating to the interim financial report to the person or company that made the request, without charge, by the later of,
 - (a) in the case of a reporting issuer relying on subsection (1), 10 calendar days after the filing deadline set out in subsection (1), for the financial statements requested;
 - (b) in the case of a reporting issuer not relying on subsection (1), 10 calendar days after the filing deadline in subparagraph 4.4(a)(i) or 4.4(b)(i), subsection 4.10(2) or subsection 14.3(1), as applicable, for the financial statements requested; and
 - (c) 10 calendar days after the issuer receives the request.
- (4) Subsections (1), (2) and (3) do not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

14.4 Transition – Application of Amendments

Despite section 14.1 the amendments to this Instrument which came into force on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

37. Part 1 of Form 51-102F1 Management's Discussion & Analysis is amended by

- (a) *striking out* "results of operations" *wherever it occurs and substituting* "financial performance",
- (b) *striking out* "earnings" *and substituting* "profit or loss",

(c) *in paragraph (f), striking out* “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,

(d) *repealing paragraph (g) and substituting the following:*

(g) Venture Issuers Without Significant Revenue

If your company is a venture issuer without significant revenue from operations, focus your discussion and analysis of financial performance on expenditures and progress towards achieving your business objectives and milestones.

(e) *in paragraph (h),*

(i) *striking out* “When” *and substituting* “If”,

(ii) *striking out* “accounted for as”,

(f) *repealing paragraph (i):*

(g) *in paragraph (m), adding the following after the first paragraph:*

“This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP.”, *and*

(h) *adding the following after paragraph (o):*

(p) Use of “Financial Condition”

This Form uses the term “financial condition”. Financial condition reflects the overall health of the company and includes your company’s financial position (as shown on the statement of financial position) and other factors that may affect your company’s liquidity, capital resources and solvency.

38. *Part 2, section 1.1 of Form 51-102F1 is amended by adding* “annual” *before* “financial statements”.

39. *Part 2, section 1.2 of Form 51-102F1 is amended by*

(a) *striking out* “results of operations” *wherever it occurs and substituting* “financial performance”,

(b) *striking out* “as those terms are used in the Handbook”,

- (c) *striking out* “revenues, income” *and substituting* “revenue, profit or loss”, *and*
- (d) *striking out the first sentence of instruction (ii).*

40. Part 2, section 1.3 of Form 51-102F1 is amended by

- (a) *in the preamble of subsection (1), adding* “annual” *before* “financial statements”,
- (b) *in paragraph (1)(a), striking out* “net sales or total revenues” *and substituting* “total revenue”,
- (c) *in paragraph (1)(b), striking out* “income” *and substituting* “profit” *and striking out* “and extraordinary items”,
- (d) *in paragraph (1)(c), striking out* “net income” *and substituting* “profit”,
- (e) *in paragraph (1)(e), striking out* “long-term” *and substituting* “non-current”,
- (f) *in paragraph (1)(f), adding* “distributions or” *before* “cash dividends”,
- (g) *in subsection (2), striking out* “condition and results of operations” *and substituting* “position and financial performance”, *and*
- (h) *repealing the Instruction and substituting the following:*

INSTRUCTION

Indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency, the functional currency if different from the presentation currency.

41. Part 2, section 1.4 of Form 51-102F1 is amended by

- (a) *in the title, striking out* “Results of Operations” *and substituting* “Discussion of Operations”,
- (b) *in paragraph (a), striking out* “net sales or total revenues by operating business” *and substituting* “total revenue by reportable”,
- (c) *in paragraph (b), striking out* “net sales or total revenues” *and substituting* “total revenue”,
- (d) *in paragraph (d), striking out* “operating”,
- (e) *in paragraph (f), striking out* “revenues” *and substituting* “revenue”,

- (f) in paragraph (g),**

 - (i) striking out “net sales,”,**
 - (ii) striking out “income” and substituting “profit”, and**
 - (iii) striking out “and extraordinary items”, and**
- (g) in paragraph (h),**

 - (i) striking out “net sales or total revenues” and substituting “total revenue”,**
 - (ii) striking out “income” and substituting “profit”, and**
 - (ii) striking out “and extraordinary items”.**

42. Part 2, section 1.5 of Form 51-102F1 is amended by

- (a) in paragraph (a), striking out “net sales or total revenues” and substituting “total revenue”,**
- (b) in paragraph (b),**

 - (i) striking out “income” and substituting “profit”, and**
 - (ii) striking out “and extraordinary items”,**
- (d) in paragraph (c), striking out “net income” and substituting “profit”,**
- (e) in subparagraph (iii) of the instructions,**

 - (A) in clause (G), striking out “revenues” and substituting “revenue”, and**
 - (B) in clause (J), striking out “cash flow” and substituting “cash flows”,**
- (f) repealing subparagraph (iv) of the instructions and substituting the following:**

 - (iv) Indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency, the functional currency if different from the presentation currency.**

43. Part 2, section 1.6 of Form 51-102F1 is amended by

- (a) striking out “balance sheet” wherever it occurs and substituting “statement of financial position”,**

- (b) *striking out* “income” *wherever it occurs and substituting* “profit or loss”,
 - (c) *in subparagraph (h)(i), adding* “distributions or” *before* “dividend”,
 - (d) *in clause (ii)(A) of the instructions, striking out* “earnings” *and substituting* “profit or loss”,
 - (e) *in the table in subparagraph (iv) of the instructions*
 - (i) *striking out* “Long Term” *wherever it occurs, and*
 - (ii) *striking out* “Capital” *and substituting* “Finance”, *and*
 - (e) *in footnote 2 of the table in subparagraph (iv) of the instructions*
 - (i) *striking out* “Other Long Term Obligations” *and substituting* “Other Obligations”,
 - (ii) *striking out* “long-term liabilities” *and substituting* “financial liabilities”, *and*
 - (ii) *striking out* “balance sheet” *and substituting* “statement of financial position”.
44. *Part 2, section 1.8 of Form 51-102F1 is amended by*
- (a) *striking out* “results of operations” *and substituting* “financial performance”,
 - (b) *in paragraph (c), striking out* “revenues” *and substituting* “revenue”, *and*
 - (c) *in the instructions,*
 - (i) *striking out* “under a material variable interest”, *and*
 - (ii) *adding* “activities” *after* “hedging”.
45. *Part 2, section 1.9 of Form 51-102F1 is amended by*
- (a) *striking out* “Handbook” *and substituting* “issuer’s GAAP”, *and*
 - (b) *in clause (C) of the instructions, adding* “describe” *before* “the measurement”.
46. *Part 2, section 1.10 of Form 51-102F1 is amended by striking out* “cash flows or results of operations, including extraordinary items” *and substituting* “financial performance or”.

47. **Part 2, section 1.11 of Form 51-102F1 is amended by striking out** “results of operations” **and substituting** “financial performance”.
48. **Part 2, section 1.12 of Form 51-102F1 is amended by**
- (a) **in paragraph (b), striking out** “financial condition, changes in financial condition and results of operations” **and substituting** “financial position, changes in financial position and financial performance”,
 - (b) **in paragraph (e),**
 - (i) **adding** “reportable” **before** “segments”, **and**
 - (ii) **adding** “reportable” **before** “segment” **wherever it occurs, and**
 - (c) **in clause (i)(B) of the instructions, striking out** “results of operations” **and substituting** “financial performance”.
49. **Part 2, section 1.13 of Form 51-102F1 is amended by striking out** “financial condition, changes in financial condition and results of operations” **wherever it occurs and substituting** “financial position, changes in financial position and financial performance”.
50. **Part 2, section 1.14 of Form 51-102F1 is amended by**
- (a) **in paragraph (d), striking out** “income” **and substituting** “revenue”,
 - (b) **in paragraph (e), striking out** “income” **and substituting** “profit or loss”,
 - (c) **in subparagraph (ii) of the instructions, striking out** “results of operations” **and substituting** “financial performance”,
 - (d) **in subparagraph (iii) of the instructions , striking out** “earnings” **and substituting** “profit or loss”, **and**
 - (e) **in subparagraph (iv) of the instructions, striking out** “income” **and substituting** “revenue”.
51. **Part 2, section 2.2 of Form 51-102F1 is amended by**
- (a) **in subparagraph (i), striking out** “results of operations and cash flows” **and substituting** “financial performance”,
 - (b) **adding the following after subparagraph (i):**
 - (i.i) a comparison of cash flows to the corresponding period in the previous year;

- (c) *in subparagraph (ii)*
 - (i) *striking out* “results of operations” *and substituting* “financial performance”, *and*
 - (ii) *striking out* “income” *and substituting* “profit”,
- (d) *in subparagraph (iii), striking out* “financial condition, results of operations” *and substituting* “financial position, financial performance”,
- (e) *in the instructions, striking out* “interim financial statements” *wherever it occurs and substituting* “interim financial report”, *and*
- (f) *in subparagraph (iv) of the instructions*
 - (i) *striking out* “balance sheet” *and substituting* “statement of financial position”,
 - (ii) *striking out* “income” *and substituting* “profit or loss”, *and*
 - (iii) *striking out* “that are outside the ordinary course of your company’s business”.

52. Part 1 of Form 51-102F2 Annual Information Form is amended by

- (a) *in paragraph (e), striking out* “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,
- (b) *adding the following at the end of paragraph (g):*

This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP., *and*

- (c) *in paragraph (i),*
 - (i) *striking out* “Special Purpose Vehicles” *and substituting* “Special Purpose Entities”, *and*
 - (ii) *striking out* “special purpose vehicle” *and substituting* “special purpose entity”.

53. Part 2, section 3.2 of Form 51-102F2 is amended by, in subparagraph (ii) of the instruction

- (a) *striking out* “sales and operating revenues” *wherever it occurs and substituting* “revenue”, *and*
 - (b) *striking out* “do” *and substituting* “does”.
54. *Part 2, subsection 5.1(1) of Form 51-102F2 is amended by*
- (a) *in the preamble, striking out* “as those terms are used in the Handbook”,
 - (b) *in subparagraph (a)(iii), striking out* “revenues” *wherever it occurs and substituting* “revenue”,
 - (c) *in paragraph (h), adding* “reportable” *before* “segment”,
 - (d) *in paragraph (k), striking out* “earnings” *and substituting* “profit or loss”, *and*
 - (e) *in paragraph (m), adding* “reportable” *before* “segment”.
55. *Part 2, paragraph 5.3(2)(b) of Form 51-102F2 is amended by striking out* “income” *and substituting* “profit”.
56. *Part 2, subsection 5.3(6) of Form 51-102F2 is amended by striking out* “, Form 10-KSB”.
57. *Part 2, item 6 of Form 51-102F2 is amended by, in the title, adding* “and Distributions” *after* “Dividends”.
58. *Part 2, section 6.1 of Form 51-102F2 is amended by, in the title, adding* “and Distributions” *after* “Dividends”.
59. *Part 2, section 7.3 of Form 51-102F2 is amended by, in the instructions, striking out* “derivatives” *and substituting* “derivative instruments”.
60. *Part 2, sbusection 16.2(2.1) of Form 51-102F2 is amended by striking out* “US GAAS” *and substituting* “U.S. PCAOB GAAS or U.S. AICPA GAAS”.
61. *Part 1, paragraph (e) of Form 51-102F4 Business Acquisition Report is amended by adding the following after the first paragraph:*
- This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP.
62. *Part 2, item 2 of Form 51-102F4 is amended by*
- (a) *in section 2.2,*

- (i) *in the title, striking out “date of acquisition” and substituting “acquisition date”, and*
 - (ii) *striking out “date of acquisition” and substituting “acquisition date”,*
 - (b) *repealing the instruction, and*
 - (c) *in section 2.4, striking out “results of operations” and substituting “financial performance”.*
63. *Part 2, item 3 of Form 51-102F4 is amended by, in the title, adding “and Other Information” after “Financial Statements”.*
64. *Part 1, paragraph (d) of Form 51-102F5 Information Circular is amended by adding the following after the first paragraph:*
- This Form also uses accounting terms that are defined, or referred to, in Canadian GAAP. See subsections 1.4(7) and (8) of Companion Policy 51-102CP. .
65. *Part 2, section 9.3 of Form 51-102F5 is amended by, in paragraph (ii) of the Instructions, striking out “as described in section 3870 “Stock-based Compensation and Other Stock-based Payments” of the Handbook”.*
66. *Part 2, section 14.1 of Form 51-102F5 is amended by adding “annual” before “financial statements”.*
67. *Part 2, section 14.2 of Form 51-102F5 is amended by*
- (a) *adding “for the company, business or entity” after “The disclosure”, and*
 - (b) *striking out “the entity” and substituting “the company, business or entity, respectively.”.*
68. *Part 2, section 16.2 of Form 51-102F5 is amended by adding “annual” before “financial statements”.*
69. *Form 51-102F6 Statement of Executive Compensation (in respect of financial years ending on or after December 31, 2008) is amended by striking out “Section 3870 of the Handbook” wherever it occurs and substituting “IFRS 2 Share-based Payment”.*
70. *Item 1.2 of Form 51-102F6 is amended by repealing the definition of “NI 52-107”.*
71. *The commentary under subsection 1.3(4) of Form 51-102F6 is amended by striking out “Multilateral” and substituting “National”.*

72. *The commentary under subsection 1.3(8) of Form 51-102F6 is amended by striking out “, or the Handbook”.*
73. *Section 3.1 of Form 51-102F6 is amended by*
- (a) *in subsection (3),*
 - (i) *striking out “grant date”, and*
 - (ii) *adding “on the grant date” after “the award”,*
 - (b) *in subsection (4),*
 - (i) *striking out “grant date”, and*
 - (ii) *adding “on the grant date” after “the award”,*
 - (c) *in subsection (5),*
 - (i) *striking out “grant date fair value” wherever it occurs and substituting “fair value of the award on the grant date”, and*
 - (d) *repealing Commentary 2 and substituting the following:*
 - 2. *The value disclosed in columns (d) and (e) of the summary compensation table should reflect what the board of directors intended to pay, make payable, award, grant, give or otherwise provide as compensation on the grant date (fair value of the award) as set out in comment 3, below. This value may differ from the value reported in the issuer’s financial statements., and*
 - (e) *in Commentary 4 and 6, striking out “grant date fair value” wherever it occurs and substituting “fair value of the award”, and*
 - (f) *in paragraph (10)(f), striking out “grant date fair value” and substituting “fair value of the award on the grant date”.*
74. *Section 3.3 of Form 51-102F6 is amended by striking out “reporting currency” wherever it occurs and substituting “presentation currency”.*
75. *Section 5.1 of Form 51-102F6 is amended by*
- (a) *in the table in subsection (1),*
 - (i) *striking out “Accrued obligation at start of year” and substituting “Opening present value of defined benefit obligation”, and*

- (ii) *striking out* “Accrued obligation at year end” *and substituting* “Closing present value of defined benefit obligation”,
 - (b) *in subsection (2),*
 - (i) *striking out* “plan measurement” *and substituting* “reporting”, *and*
 - (ii) *adding* “annual” *before* “financial statements”,
 - (c) *in subsection (5), striking out* “accrued obligation” *and substituting* “present value of the defined benefit obligation”,
 - (d) *in subsection (6),*
 - (i) *striking out* “accrued obligation” *wherever it occurs and substituting* “present value of the defined benefit obligation”,
 - (ii) *adding* “closing” *after* “quantifying the”, *and*
 - (iii) *striking out* “at the end of the most recently completed financial year”, *and*
 - (e) *in subsection (7),*
 - (i) *striking out* “accrued obligation” *wherever it occurs and substituting* “present value of the defined benefit obligation”, *and*
 - (ii) *adding* “most recently completed financial” *after* “start of the”.
 - (f) *in subsection (8), striking out* “accrued obligation” *and substituting* “present value of the defined benefit obligation”,
76. *This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.*
77. *This instrument comes into force on January 1, 2011.*

Schedule B-2

Proposed Amendments to Companion Policy 51-102CP *Continuous Disclosure Obligations*

1. *Companion Policy 51-102CP Continuous Disclosure Obligations is amended.*
2. *Section 1.3 is amended by striking out “interim financial statements” and substituting “interim financial reports”.*
3. *Section 1.4 is amended by*
 - (a) *repealing subsection (5) and substituting the following:*
 - (5) **Reverse Takeover** – The definition of reverse takeover includes reverse acquisitions as defined or interpreted in Canadian GAAP and any other transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity (such as a Qualifying Transaction, as that term is defined in the TSX Venture Exchange policies). In a reverse acquisition, although legally the entity (the legal parent) that issued the securities is regarded as the parent, the entity (the legal subsidiary) whose former securityholders now control the combined entity is treated as the acquirer for accounting purposes. As a result, for accounting purposes, the issuing entity (the legal parent) is deemed to be a continuation of the acquirer and the acquirer is deemed to have acquired control of the assets and business of the issuing entity in consideration for the issue of capital., *and*
 - (b) *adding the following after subsection (6):*
 - (7) **Accounting terms** – 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 National Instrument 14-101 *Definitions* 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 continuous disclosure; or (b) the context otherwise requires.

For example, the term “associate” is defined in local securities statutes and Canadian GAAP. Securities regulatory authorities are of the view that the references to the term “associate” in the Instrument and its forms (e.g., item 7.1(g) of Form 51-102F5 *Information Circular*) should be given the

meaning of the term under local securities statutes since the context does not indicate that the accounting meaning of the term should be used.

- (8) **Acceptable accounting principles other than Canadian GAAP** – 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.

4. *Section 1.8 is repealed and the following substituted:*

1.8 Acceptable Accounting Principles and Auditing Standards

An issuer filing any of the following items under the Instrument must comply with NI 52-107:

- (a) financial statements;
- (b) an operating statement for an oil and gas property as referred to in section 8.10 of the Instrument;
- (c) summarized financial information, including the aggregated amounts of assets, liabilities, revenue and profit or loss of a business as referred to in section 8.6 of the Instrument; or
- (d) financial information derived from a credit support issuer's financial statements as referred to in section 13.4 of the Instrument.

NI 52-107 sets out, among other things, the use of accounting principles other than Canadian GAAP or auditing standards other than Canadian Generally Accepted Auditing Standards (Canadian GAAS) in preparing or auditing financial statements.

5. *Section 3.2 is repealed and the following substituted:*

3.2 Audit of Comparative Annual Financial Statements

Section 4.1 of the Instrument requires a reporting issuer to file annual financial statements that include comparative information for the immediately preceding financial year and that are audited. The auditor's report must cover both the most recently completed financial year and the comparative period, except if the issuer changed its auditor during the periods presented in the annual financial statements and the new auditor has not audited the comparative period. In this situation, the auditor's report would normally refer to the predecessor's auditor's report or the issuer would include the predecessor auditor's reissued report on the prior

period's annual financial statements. This is consistent with Canadian Auditing Standard 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.

6. *Section 3.3 is amended in the last sentence by adding “annual” before “financial statements”.*

7. *Section 3.4 is repealed and the following substituted:*

3.4 Auditor Involvement with an Interim Financial Report

- (1) The board of directors of a reporting issuer, in discharging its responsibilities for ensuring the reliability of an interim financial report, should consider engaging an external auditor to carry out a review of the interim financial report.
- (2) Subsection 4.3(3) of the Instrument requires a reporting issuer to disclose if an auditor has not performed a review of the interim financial report, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor has performed a review and expressed a reservation in the auditor's interim review report. No positive statement is required when an auditor has performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on an interim financial report applying review standards set out in the Handbook, and the auditor was unable to complete the review, the issuer's disclosure of the reasons why the auditor was unable to complete the review would normally include a discussion of
 - (a) inadequate internal control;
 - (b) a limitation on the scope of the auditor's work; or
 - (c) the failure of management to provide the auditor with the written representations the auditor believes are necessary.
- (3) If a reporting issuer's annual financial statements are audited in accordance with Canadian GAAS, the terms “review” and “interim review report” used in subsection 4.3(3) of the Instrument refer to the auditor's review of, and report on, an interim financial report applying standards for a review of an interim financial report by the auditor as set out in the Handbook. However, if the reporting issuer's financial statements are audited in accordance with auditing standards other than Canadian GAAS, the corresponding review standards should be applied.

8. *Section 3.5 is amended by striking out “interim financial statements” and substituting “an interim financial report”.*

9. **Section 3.6 is amended by adding** “The test of whether “to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2)” is objective, rather than subjective. Securities regulatory authorities are of the view that a reporting issuer can rely on the exemption only if it has made every reasonable effort to present prior-period information on a basis consistent with subsection 4.3(2) of the Instrument. We are of the view that an issuer should only rely on this exemption in unusual circumstances and generally not related solely to the cost or the time involved in preparing the financial statements.” **after** “to do so.”.

10. **Section 3.9 is amended by**

(a) **in subsection (2), striking out** “for accounting purposes”, **and**

(b) **in subsection (3), striking out** “interim and annual financial statements” **and substituting** “interim financial reports and the annual financial statements”.

11. **The title of Part 4 is amended by adding** “AND PRESENTATION” **after** “DISCLOSURE”.

12. **Section 4.1 is amended by**

(a) **in the title, striking out** “Results” **and substituting** “Information”, **and**

(b) **in subsection (1), striking out** “interim financial statements” **and substituting** “each interim financial report”.

13. **Section 4.2 is amended by adding** “Canadian” **before** “GAAP should”.

14. **Part 4 is amended by adding the following after section 4.2:**

4.3 Presentation of Financial Information

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 4.1(3) and 4.3(2.1) of the Instrument).

15. **Section 4A.3 is amended by**

(a) **striking out** “This concept of materiality is consistent with the one contained in the Handbook.”,

(b) **striking out** “revenues, net income” **and substituting** “revenue, profit or loss”, **and**

- (c) **striking out** “A financial outlook relating to earnings is commonly referred to” **and substituting** “A financial outlook relating to profit or loss is commonly referred to”.
16. **Section 4A.9 is repealed.**
17. **Section 5.2 is amended by**
- (a) **striking out** “or MD&A supplement”,
- (b) **striking out** “interim and annual financial statements” **and substituting** “interim financial report or annual financial statements”, **and**
- (c) **striking out** “capitalized, deferred or expensed” **and substituting** “expensed or recognized as assets”,
18. **Section 5.4 is amended by**
- (a) **striking out** “or MD&A supplement”,
- (b) **striking out** “interim and annual financial statements” **and substituting** “interim financial report or annual financial statements”.
19. **Section 5.5 is amended by striking out** “or MD&A supplement” **wherever it occurs.**
20. **Subsection 6.2(1) is amended by striking out** “income” **and substituting** “profit”.
21. **Subsection 8.1(3) is amended by striking out** “reporting currency” **and substituting** “presentation currency”.
22. **Section 8.2 is amended by**
- (a) **in subsection (1),**
- (i) **striking out** “income from continuing operations” **wherever it occurs and substituting** “acquisition test profit or loss”,
- (ii) **striking out** “time of the acquisition” **wherever it occurs and substituting** “acquisition date”,
- (iii) **striking out** “annual audited financial statements” **and substituting** “audited annual financial statements”, **and**
- (iv) **striking out** “business acquisition or report” **and substituting** “business acquisition report”.

- (b) *in subsection (2), adding the following as a new paragraph after the first paragraph:*

Subsection 8.12(2) provides an exemption from this reconciliation requirement if the business or related businesses prepared financial statements in accordance with Canadian GAAP applicable to private enterprises provided certain conditions are met. This exemption is not available in Ontario. The requirement in subsection 8.3(13) to translate the financial statements of the business or related businesses into the same presentation currency as the reporting issuer still applies.,

- (c) *in subsection (3), adding “annual” before “financial statements” in the first three occurrences,*

- (d) *adding the following after subsection (3):*

(3.1) **Application of Significance Tests for Business Combinations Achieved in Stages** – IFRS 3 (revised 2008) *Business Combinations*, requires that when a business combination is achieved in stages the acquirer’s previously held equity interest in the acquiree is remeasured at its acquisition date fair value with any resulting gain or loss recognized in profit or loss. The remeasurement of the previously held equity interest should not be included in the asset or the investment test and the resulting gain or loss from remeasurement should not be included in the profit or loss test. (See subsection 8.3(4.1) of the Instrument),

- (e) *repealing subsection (4) and substituting the following:*

(4) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsections 8.3(2) and (4) of the Instrument is whether the reporting issuer’s consolidated investments in and advances to the business or related businesses exceed a specified percentage of the consolidated assets of the reporting issuer. In applying this test, the “investments in” the business should be determined using the consideration transferred, measured in accordance with the issuer’s GAAP, including any contingent consideration. In addition, any payments made in connection with the acquisition which would not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services. For purposes of the investment test, “consideration transferred” should be adjusted to exclude the carrying value of assets transferred by the reporting issuer to the business or related businesses that will remain with the business or related businesses after the acquisition., *and*

- (f) *in subsection (5), adding “annual” before “financial statements” wherever it occurs.*
23. *Section 8.3 is amended by*
- (a) *in subsection (3), striking out “date of the acquisition” and substituting “acquisition date”, and*
- (b) *in subsection (4),*
- (i) *in the title, striking out “Income Test” and substituting “Profit or Loss Test”,*
- (ii) *striking out “optional income test” wherever it occurs and substituting “optional profit or loss test”, and*
- (iii) *striking out “income from continuing operations” wherever it occurs and substituting “acquisition test profit or loss”.*
24. *Section 8.5 is amended by*
- (a) *in the title, striking out “Step-By-Step Acquisitions” and substituting “Multiple Investments in the Same Business”,*
- (b) *striking out “increases its investments in a business by way of a step-by-step purchase as described in the Handbook” and substituting “has made multiple investments in the same business”, and*
- (c) *adding “annual” before “financial statements” wherever it occurs.*
25. *Subsection 8.6(4) is amended by*
- (a) *in clause (i), striking out “balance sheet” and substituting “statement of financial position”,*
- (b) *in clause (ii),*
- (i) *in the title, striking out “Revenues” and substituting “Revenue”,*
- (ii) *striking out “Income statements” and substituting “Statements of comprehensive income”, and*
- (iii) *striking out “revenues” and substituting “revenue”.*
26. *Section 8.7 is amended by*

- (a) *in subsection (1),*
 - (i) *striking out* “pro forma statements” *and substituting* “pro forma financial statements”,
 - (ii) *striking out* “results of operations” *and substituting* “financial performance”, *and*
 - (iii) *striking out* “extraordinary items or”,
- (b) *in subsection (2),*
 - (i) *in the title, striking out* “Balance Sheet and Income Statements” *and substituting* “Statement of Financial Position”, *and*
 - (ii) *striking out* “balance sheet” *wherever it occurs and substituting* “statement of financial position”,
- (c) *in subsection (3), striking out* “an income statement” *and substituting* “a statement of comprehensive income”,
- (d) *in subsection (4),*
 - (i) *striking out* “purchase price allocation” *and substituting* “acquisition date amounts of assets acquired and liabilities assumed”, *and*
 - (ii) *striking out* “balance sheet” *and substituting* “statement of financial position”,
- (e) *repealing subsection (5) and substituting the following:*
 - (5) **Acceptable Adjustments** – Pro forma adjustments are generally limited to those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable. See subsection (9) for other pro forma adjustments if the acquisition statements have been prepared using Canadian GAAP applicable to private enterprises.
- (f) *in subsection (7),*
 - (i) *in the title, striking out* “Earlier Interim Financial Statements” *and substituting* “an Earlier Interim Financial Report”, *and*
 - (ii) *striking out* “pro forma statements” *and substituting* “pro forma financial statements”, *and*

(g) *in subsection (8), striking out “these statements” and substituting “these financial statements”.*

(h) *adding the following after subsection (8):*

- (9) **Pro Forma Financial Statements where Acquisition Statements are Prepared in Accordance with Canadian GAAP applicable to Private Enterprises** – Except in Ontario, section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. If an issuer includes acquisition statements prepared in accordance with Canadian GAAP applicable to private enterprises in a business acquisition report, then those acquisition statements do not have to be reconciled to the issuer’s GAAP under subsection 3.11(6) of NI 52-107. However, section 3.14 of NI 52-107 requires that pro forma financial statements must be presented using principles that are consistent with the issuer’s GAAP. To comply with this requirement, when preparing the pro forma financial statements, the issuer should consider disclosing the adjustments necessary to achieve consistency with the issuer’s GAAP.

The pro forma statement of financial position should present the following information:

- (i) the statement of financial position of the reporting issuer prepared in accordance with the issuer’s GAAP,
- (ii) the balance sheet of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises,
- (iii) pro forma adjustments attributable to the specific acquisition transaction that reflect the reporting issuer’s accounting for the acquisition that includes new values for the business’ assets and liabilities, and
- (iv) a pro forma statement of financial position combining items (i) through (iii).

The pro forma income statement should present the following information:

- (i) the income statement of the reporting issuer prepared in accordance with the issuer’s GAAP,

- (ii) the income statement of the acquired business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises,
- (iii) pro forma adjustments attributable to the specific acquisition transaction and other adjustments relating to the acquired business to adjust amounts from Canadian GAAP applicable to private enterprises to the issuer's GAAP, and
- (iv) a pro forma income statement combining items (i) through (iii).

The phrase "pro forma adjustments attributable to the specific acquisition transaction" in this subsection are the types of adjustments described in subsection (5).

27. **Section 8.8 is amended by striking out** "date of the acquisition" **and substituting** "acquisition date".

28. **Subsection 8.9(2) is amended by**

- (a) **adding** "annual" **before** "financial statements",
- (b) **striking out** "income statements" **and substituting** "statements of comprehensive income", **and**
- (c) **striking out** "cash flow" **and substituting** "cash flows".

29. **Subsection 8.10(2) is amended by**

- (a) **in the title, striking out** "Interim Financial Statements" **and substituting** "an Interim Financial Report", **and**
- (b) **striking out** "interim financial statements" **wherever it occurs and substituting** "interim financial report".

30. **Part 13 is amended by**

- (a) **striking out**

Department of Justice, Northwest Territories
 Legal Registries
 P.O. Box 1320
 1st Floor, 5009-49th Street
 Yellowknife, NWT X1A 2L9
 Attention: Director, Legal Registries

and substituting

Department of Justice, Northwest Territories

Securities Office
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities,

(b) *under* “Department of Justice, Nunavut”, *striking out* “Director, Legal Registries Division” *and substituting* “Superintendent of Securities”, *and*

(c) *striking out*

Registrar of Securities, Government of Yukon

Corporate Affairs J-9
P.O. Box 2703
Whitehorse, Yukon
Y1A 5H3
Attention: Registrar of Securities

and substituting

Superintendent of Securities, Government of Yukon

Corporate Affairs J-9
P.O. Box 2703
Whitehorse, Yukon
Y1A 5H3
Attention: Superintendent of Securities.

31. *The following is added after Part 13:*

PART 14 TRANSITION

14.1 Transition – Application of Amendments

The amendments to this Policy which came into effect on January 1, 2011 only apply to periods relating to financial years beginning on or after January 1, 2011.

32. *Appendix A is amended by, in the footnote, striking out* “Balance sheet” *and substituting* “Statement of financial position”.

33. *These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.*

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