

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 replacing “interim financial statements” with “interim financial reports”.*
3. *Section 1.4 is amended*
 - (a) *by replacing subsection (5) with the following:*

(5) Reverse Takeover – The definition of reverse takeover includes reverse acquisitions as defined or interpreted in Canadian GAAP applicable to publicly accountable enterprises 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) *by adding the following after subsection (6):*

(7) Accounting terms – The Instrument uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. 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 applicable to publicly accountable enterprises. 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 applicable to publicly accountable enterprises – If an issuer is permitted under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, then the issuer may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.
- (9) Rate-regulated activities - If a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, then the qualifying entity may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook..

4. *Section 1.8 is replaced with the following:*

1.8 Acceptable Accounting Principles and Auditing Standards

An issuer filing any of the following items under the Instrument must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*:

- (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.

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* sets out, among other things, the use of accounting principles other than Canadian GAAP applicable to publicly accountable enterprises or auditing standards other than Canadian GAAS in preparing or auditing financial statements..

5. *Section 3.2 is replaced with the following:*

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 auditor's report unless the predecessor auditor's report on the prior period's annual financial statements is reissued with the 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 replaced with the following:*

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 replacing "interim financial statements" with "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*

- (a) *in subsection (2), by deleting "for accounting purposes", and*
- (b) *in subsection (3), by replacing "interim and annual financial statements" with "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*

- (a) *in the title, by replacing "Results" with "Information",*
- (b) *in subsection (1), by replacing "interim financial statements" with "each interim financial report", and*

- (c) *in subsection (2), by replacing “NI 52-107” wherever it occurs with “National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards”.*
- 13. *Section 4.2 is amended by replacing “GAAP” with “Canadian GAAP applicable to publicly accountable enterprises”.*
- 14. *Part 4 is amended by adding the following after section 4.2:*

4.3 Presentation of Financial Information

Canadian GAAP applicable to publicly accountable enterprises 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*
 - (a) *by deleting “This concept of materiality is consistent with the one contained in the Handbook.”,*
 - (b) *by replacing “revenues, net income” with “revenue, profit or loss”, and*
 - (c) *by replacing “A financial outlook relating to earnings is commonly referred to” with “A financial outlook relating to profit or loss is commonly referred to”.*
- 16. *Section 4A.9 is repealed.*
- 17. *Section 5.2 is amended*
 - (a) *by deleting “or MD&A supplement”,*
 - (b) *by replacing “interim and annual financial statements” with “annual financial statements or interim financial report”, and*
 - (c) *by replacing “capitalized, deferred or expensed” with “expensed or recognized as assets”.*
- 18. *Section 5.4 is amended*
 - (a) *by deleting “or MD&A supplement”, and*

- (b) by replacing “interim and annual financial statements” with “annual financial statements or interim financial report”.
- 19. *Section 5.5 is amended by deleting “or MD&A supplement” wherever it occurs.*
- 20. *Subsection 6.2(1) is amended by replacing “income” with “profit”.*
- 21. *Subsection 8.1(3) is amended*
 - (a) by replacing “NI 52-107” with “National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*”, and
 - (b) by replacing “, auditing standards and reporting currency” with “and auditing standards”.
- 22. *Section 8.2 is amended*
 - (a) in subsection (1), by
 - (i) replacing “income from continuing operations” wherever it occurs with “specified profit or loss”,
 - (ii) replacing “time of the acquisition” wherever it occurs with “acquisition date”,
 - (iii) replacing “annual audited financial statements” with “audited annual financial statements”, and
 - (iv) replacing “business acquisition or report” with “business acquisition report”.
 - (b) by replacing subsection (2) with the following:
 - (2) Business Using Accounting Principles Other Than Those Used by the Reporting Issuer – Subsection 8.3(13) of the Instrument provides that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must, subject to subsection 8.3(13.1) of the Instrument, be based on the issuer’s GAAP, and translated into the same presentation currency as that used in the reporting issuer’s financial statements. This means that in some cases the amounts must be converted to the issuer’s GAAP and translated into the same presentation currency as that used in the reporting issuer’s financial statements.

Subsection 8.3(13.1) of the Instrument exempts venture issuers from the requirement in paragraph 8.3(13)(a) that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must be based on the issuer's GAAP, but only where the financial statements for the business or related businesses were prepared in accordance with Canadian GAAP applicable to private enterprises and certain other conditions are met.

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits financial statements for a business or related businesses to be prepared in accordance with U.S. GAAP without reconciliation to the issuer's GAAP. This does not impact the application of paragraph 8.3(13)(a) of the Instrument. Thus, if the issuer's GAAP is not U.S. GAAP, paragraph 8.3(13)(a) of the Instrument requires, for the purposes of calculating the significance tests, that the amounts used for the business or related businesses be based on the issuer's GAAP.

Paragraph 8.3(13)(b) of the Instrument applies to all issuers and requires, for the purpose of calculating the significance tests, that the amounts used for the business or related businesses be translated into the same presentation currency as that used in the reporting issuer's financial statements.,

(c) *in subsection (3), by adding "annual" before "financial statements" in the first three occurrences,*

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

(3.1) **Application of Significance Tests for Business Combinations Achieved in Stages – IFRS 3 *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) *by replacing subsection (4) with 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), by adding “annual” before “financial statements” wherever it occurs.*

23. *Section 8.3 is amended*

(a) *in subsection (3), by replacing “date of the acquisition” with “acquisition date”, and*

(b) *in subsection (4),*

(i) *in the title, by replacing “Income Test” with “Profit or Loss Test”,*

(ii) *by replacing “optional income test” wherever it occurs with “optional profit or loss test”, and*

(iii) *by replacing “income from continuing operations” wherever it occurs with “specified profit or loss”.*

24. *Section 8.5 is amended*

(a) *in the title, by replacing “Step-By-Step Acquisitions” with “Multiple Investments in the Same Business”,*

(b) *by replacing “increases its investments in a business by way of a step-by-step purchase as described in the Handbook” with “has made multiple investments in the same business”, and*

(c) *by adding “annual” before “financial statements” wherever it occurs.*

25. *Subparagraph 8.6(4)(b) is replaced with the following:*

(b) *When complete financial records of the business acquired do not exist, carve-out financial statements must be prepared in accordance with subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards..**

26. *Section 8.7 is amended*

(a) *in subsection (1),*

(i) *by replacing “pro forma statements” with “pro forma financial statements”,*

(ii) *by replacing “results of operations” with “financial performance”, and*

(iii) *by deleting “extraordinary items or”,*

(b) *in subsection (2),*

(i) *in the title, by replacing “Balance Sheet and Income Statements” with “Statement of Financial Position”, and*

(ii) *by replacing “balance sheet” wherever it occurs with “statement of financial position”,*

(c) *in subsection (3), by replacing “an income statement” with “a statement of comprehensive income”,*

(d) *in subsection (4), by replacing “should be based on the purchase price allocation arising from giving effect to the acquisition as if it occurred on the date of the reporting issuer’s most recent balance sheet filed” with “should be based on the acquisition date amounts of assets acquired and liabilities assumed as if the acquisition occurred on the date of the reporting issuer’s most recent statement of financial position filed”,*

(e) *by replacing subsection (5) with the following:*

(5) *Acceptable Adjustments – Pro forma adjustments are generally limited to the following two types of adjustments required by paragraph 8.4(7)(b) of the Instrument:*

- (a) those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable; and
- (b) adjustments to conform amounts for the business or related businesses to the issuer's accounting policies.

If financial statements for a business or related businesses are prepared in accordance with accounting principles that differ from the issuer's GAAP and the financial statements do not include a reconciliation to the issuer's GAAP, pro forma adjustments as described in item (b) above will often be necessary. For example, financial statements for a business or related businesses may be prepared in accordance with U.S. GAAP, or in the case of a venture issuer, in accordance with Canadian GAAP applicable to private enterprises, in each case without a reconciliation to the issuer's GAAP. Even if financial statements for a business or related businesses are prepared in accordance with the issuer's GAAP, pro forma adjustments as described in item (b) may be necessary to conform amounts for the business or related businesses to the issuer's accounting policies, including, for example, the issuer's revenue recognition policy where the revenue recognition policy of the business or related businesses differs from the issuer's policy.

If the presentation currency used in financial statements for a business or related businesses differs from the presentation currency used in the issuer's financial statements, the pro forma financial statements must present amounts for the business or related businesses in the presentation currency of the issuer's financial statements. The pro forma financial statements should explain any adjustments to conform presentation currency.,

- (f) *in subsection (7),*
 - (i) *in the title, by replacing "Earlier Interim Financial Statements" with "an Earlier Interim Financial Report", and*
 - (ii) *by replacing "pro forma statements" with "pro forma financial statements",*
- (g) *in subsection (8), by replacing "these statements" with "these financial statements", and*
- (h) *by adding the following after subsection (8):*

(9) Pro Forma Financial Statements where Financial Statements of a Business or Related Businesses are Prepared using Accounting Principles that Differ from the Issuer's GAAP – Section 3.11 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits reporting issuers to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with U.S. GAAP and without a reconciliation to the issuer's GAAP. That section also permits, subject to specified conditions, a venture issuer to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises and without a reconciliation to the issuer's GAAP. However, section 3.14 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* requires that pro forma financial statements be presented using accounting principles that are permitted by the issuer's GAAP and would apply to the information presented in the pro forma financial statements if that information were included in the issuer's financial statements for the same time period as that of the pro forma financial statements. As well, subsection 8.4(7) of the Instrument requires pro forma financial statements to include a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment. Therefore, the pro forma financial statements must describe the adjustments presented in the pro forma income statement relating to the business or related businesses to adjust amounts to the issuer's GAAP and accounting policies.

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

- (i) the statement of financial position of the reporting issuer;
- (ii) the statement of financial position of the business or related businesses;
- (iii) pro forma adjustments attributable to each significant acquisition that reflect the reporting issuer's accounting for the acquisition and include 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;
- (ii) the income statement of the business or related businesses;
- (iii) pro forma adjustments attributable to each significant acquisition and other adjustments relating to the business or related businesses to conform amounts to the issuer's GAAP and accounting policies; and
- (iv) a pro forma income statement combining items (i) through (iii)..

27. *Section 8.8 is amended by replacing “date of the acquisition” with “acquisition date”.*

28. *Subsection 8.9(2) is amended*

- (a) *by adding “annual” before “financial statements”;*
- (b) *by replacing “income statements” with “statements of comprehensive income”;*
- (c) *by replacing “cash flow” with “cash flows”, and*
- (d) *by replacing “statement of net operating income for a business” with “statement of operations”.*

29. *Subsection 8.10(2) is amended*

- (a) *in the title, by replacing “Interim Financial Statements” with “an Interim Financial Report”, and*
- (b) *by replacing “interim financial statements” wherever it occurs with “interim financial report”.*

30. *Part 13 is amended*

- (a) *by replacing*

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

Attention: Director, Legal Registries

with

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”, by replacing “Director, Legal Registries Division” with “Superintendent of Securities”, and*

(c) *by replacing*

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

with

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 the Instrument and this Policy which came into effect on January 1, 2011 only apply to documents required to be prepared, filed, delivered or sent under the Instrument for periods relating to financial years beginning on or after January 1, 2011..

32. *Appendix A is amended, in the footnote, by replacing “Balance sheet” with “Statement of financial position”.*

33. *These amendments only apply to documents required to be prepared, filed, delivered or sent under National Instrument 51-102 Continuous Disclosure Obligations for periods relating to financial years beginning on or after January 1, 2011.*
34. *Despite section 33, an issuer may apply these amendments to all documents required to be prepared, filed, delivered or sent under National Instrument 51-102 Continuous Disclosure Obligations for periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.*
35. *These amendments become effective on January 1, 2011.*