

NOTICE AND REQUEST FOR COMMENT

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 45-106 *PROSPECTUS AND REGISTRATION EXEMPTIONS*, FORM 45-106F2 *OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS*, FORM 45-106F3 *OFFERING MEMORANDUM FOR QUALIFYING ISSUERS* AND COMPANION POLICY 45-106CP *PROSPECTUS AND REGISTRATION EXEMPTIONS*

October 16, 2009

Introduction

We, the Canadian Securities Administrators (CSA), except the Autorité des marchés financiers and the New Brunswick Securities Commission, are publishing for a 90 day comment period proposed amendments to:

- National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106),
- Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* and Form 45-106F3 *Offering Memorandum for Qualifying Issuers* (collectively, the OM Forms) and
- Companion Policy 45-106CP *Prospectus and Registration Exemptions* (45-106CP).

This notice forms parts of a series of notices that address proposed changes to securities legislation arising from the upcoming changeover to International Financial Reporting Standards (IFRS).

Proposed Text

Appendix A provides a summary of certain proposed amendments, including a list of the changes to accounting terms and phrases as well as a summary of the main transition changes related to IFRS. Other proposed amendments are described in this notice.

Appendix B sets out the proposed amendments to NI 45-106 and 45-106CP.

Appendix C sets out a blackline showing proposed changes to the OM Forms from the versions of those documents currently in force.

We invite comment on the proposed amendments to NI 45-106, the OM Forms and 45-106CP (proposed amendments). As the proposed amendments relate to the upcoming changeover to

IFRS in Canada and need to be in place before January 1, 2011, we are not inviting comment on the provisions of the rules and policies that will not be affected by the changeover to IFRS.

Background

NI 45-106 provides certain exemptions from the prospectus and registration requirements of Canadian securities legislation. NI 45-106 and the OM Forms refer to and rely on references to Canadian generally accepted accounting principles (GAAP), which are established by the Canadian Accounting Standards Board (AcSB) and published in the CICA (Canadian Institute of Chartered Accountants) Handbook. Following a period of public consultation, the AcSB adopted a strategic plan to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB). For financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

Substance and Purpose of the Proposed Amendments

The purpose of these changes is to accommodate the transition to IFRS. We are proposing to update the accounting terms and references in NI 45-106, the OM Forms and 45-106CP to reflect the fact that, for financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

Summary of the Proposed Amendments

The proposed amendments are a result of amendments to National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (to be renamed *Acceptable Accounting Principles and Auditing Standards*) (NI 52-107) proposed to require domestic issuers to comply with IFRS. NI 52-107 sets out the accounting principles and auditing standards that apply to financial statements filed in a jurisdiction. We have also proposed amendments similar to those being proposed to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and National Instrument 41-101 *General Prospectus Requirements* (NI 41-101) to maintain the harmony between the general prospectus requirements, the prospectus and registration exemptions and the continuous disclosure and short form prospectus disclosure regimes. We refer you to our notice and request for comment on the proposed amendments to NI 51-102 and the notice and request for comment on the proposed amendments to NI 41-101. Where appropriate, we have also included a number of amendments that result from changes to other CSA rules because of the changeover to IFRS.

As we discuss below, the proposed amendments primarily relate to changes to accounting terms used in the OM Forms. In addition to the changes that we propose to the OM Forms, we propose to add a definition of “financial statements” to NI 45-106 to clarify that financial statements include interim financial reports.

The proposed amendments we are publishing for comment will:

- Replace Canadian GAAP terms and phrases with IFRS terms and phrases.
- Change disclosure requirements in instances where IFRS contemplates different financial statements than existing Canadian GAAP.

- Provide a 30 day extension to the deadline for reporting issuers to include in an offering memorandum the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011.
- Clarify an existing provision or amend or delete it where part or all of the provision is no longer accurate or appropriate.

Accounting Terms and Phrases

The proposed amendments include new terms and phrases that are consistent with those used in IFRS and replace terms and phrases used in existing Canadian GAAP.

The proposed amendments do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The proposed definition of IFRS in National Instrument 14-101 *Definitions* (NI 14-101) would take into account amendments made from time to time.

The proposed amendments are not intended to substantively alter securities law requirements. For example, we are proposing to replace the existing Canadian GAAP term “results of operations” with the corresponding IFRS term “financial performance”. This is intended to be a change in terminology only.

The proposed amendments also incorporate a number of new or revised definitions from NI 51-102. For example, we have incorporated a definition of “forward-looking information”. Currently, definitions of “forward-looking information” are found in the securities acts of the various provinces and territories. As all of the acts may not be amended prior to January 1, 2011 to reflect the changeover to IFRS, we have defined forward-looking information in a manner consistent with IFRS.

A detailed list of the changes to accounting terms and phrases is set out in Appendix A to this notice.

Changes to Financial Statement Requirements in Form 45-106F2

1. Reconciliations and transition opening statement of financial position required by IFRS 1 – First-time adoption of International Financial Reporting Standards

IFRS 1 requires the preparation of an opening IFRS statement of financial position at the date of transition to IFRS along with various reconciliations relating to the date of transition. We are requiring the opening IFRS statement of financial position to be presented in an issuer’s first IFRS interim financial report and first IFRS financial statements. We believe this disclosure is necessary to explain how the transition from previous GAAP to IFRS has affected an issuer’s reported financial position, financial performance and cash flows.

This disclosure may not be included in interim financial reports for the second and third quarters. However, an issuer may file an offering memorandum at a time when the second or third quarter interim financial report is required to be included in the offering memorandum. To obtain consistent disclosure in all offering memoranda in the year of adopting IFRS, we have added a

disclosure requirement to include these reconciliations and the date of transition opening statement of financial position in an issuer's offering memorandum.

2. Opening Statement of Financial Position

When an issuer applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, IAS 1 *Presentation of Financial Statement* requires the disclosure of a statement of financial position as at the beginning of the earliest comparative period. Form 45-106F2 will require the disclosure of this opening statement of financial position in both annual financial statements and interim financial reports.

3. Presentation of Statement of Cash Flows

We have proposed amendments to reflect the financial statement presentation requirements in IFRS. Current Form 45-106F2 (and Canadian GAAP) requires issuers to present in their interim financial statements a cash flow statement for the three month period ending on the last day of the interim period and the corresponding comparative interim period and, for periods other than the first interim period, the year to date period. As IFRS requires only a statement of cash flows for the year to date period and the corresponding comparative period, we have proposed amendments to reflect this.

4. Presentation of Statement of Comprehensive Income

We added disclosure requirements in Form 45-106F2 for the statement of comprehensive income based on the presentation options available under IFRS. 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.

Transition Provisions - Extension for Inclusion of First IFRS Interim Financial Report in Form 45-106F2

Part B, section 16 of Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* includes transition provisions that provide reporting issuers with a 30 day extension for including in the offering memorandum the first IFRS interim financial report filed with an offering memorandum dated before June 29, 2012. We believe this extension should be provided, as the first IFRS interim financial report will be due not long after the filing of the Canadian GAAP annual financial statements. We recognize that boards of directors, audit committees, and in some cases auditors, will require additional time to review and approve the first set of IFRS financial statements. Other jurisdictions that transitioned to IFRS also granted filing extensions for the first IFRS filing, even though they only require issuers to file on a half-yearly basis.

We have not provided reporting issuers with an extension to the deadline for including in an offering memorandum subsequent IFRS interim financial reports or the first annual financial statements prepared in accordance with IFRS as we believe the deadlines applicable to these financial statements are reasonable and appropriate after the initial changeover to IFRS.

The CSA regulators will generally not grant exemptive relief to an issuer to extend a deadline for including financial information in an offering memorandum. While we recognize that some issuers filing their offering memoranda may face difficulties in complying with the financial

statement disclosure requirements as a result of the changeover to IFRS, we do not believe it is appropriate to grant exemptive relief to an issuer to allow it to proceed with an offering memorandum that does not include current financial information.

Amendments from NI 52-107

Proposed changes to other CSA rules, including NI 52-107 and NI 14-101, were published for comment on September 25, 2009.

In addition, NI 52-107 proposes, except in Ontario, that acquisition statements in respect of probable and completed acquisitions be permitted to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. Changes are being made to Part 8 of NI 51-102 and 51-102CP to address this proposal. As a result, this option would be available to an offering memorandum filer in respect of financial statements included in the issuer's offering memorandum for probable and completed acquisitions. These proposed changes will apply to offering memoranda which include acquisition statements for any period relating to a financial year that begins on or after January 1, 2011.

Even though the proposed amendments replace existing Canadian GAAP terms and phrases with IFRS terms and phrases, the proposed amendments include references to "Canadian GAAP". This is because NI 14-101 will continue to define "Canadian GAAP" to mean generally accepted accounting principles determined with reference to the CICA Handbook. Once the AcSB incorporates IFRS into the Handbook, the Handbook will contain two versions of Canadian GAAP for publicly accountable enterprises:

- IFRS for financial years beginning on or after January 1, 2011 (the mandatory effective date) (proposed Part 1 of the Handbook), and
- the standards constituting Canadian GAAP before the mandatory effective date (proposed Part IV of the Handbook).

Certain offering memorandum filings require the presentation of both annual and interim financial information. During the IFRS transition period, we recognize that offering memoranda may contain financial information in respect of an issuer prepared using both existing Canadian GAAP and IFRS. For example, an offering memorandum filed in 2011 may include annual financial statements prepared in accordance with Canadian GAAP and an interim financial report that complies with IFRS.

Additional Amendments

The CSA's mandate in bringing forth the proposed amendments is to revise NI 45-106, the OM Forms and 45-106CP to accommodate the adoption of IFRS. Where appropriate, we have also proposed certain grammatical changes to NI 45-106.

Transition

After the IFRS changeover date on January 1, 2011, non calendar year-end issuers will continue to prepare financial statements in accordance with existing Canadian GAAP until the start of their new financial year. To accommodate for this, we are proposing to include transition

provisions that provide that the proposed amendments only apply to an offering memorandum of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011. Thus, during the transition period,

- issuers only including or incorporating by reference financial statements in an offering memorandum that are prepared in accordance with existing Canadian GAAP will be required to comply with the versions of NI 45-106 and the OM Forms that contain existing Canadian GAAP terms and phrases.
- issuers including or incorporating by reference financial statements in an offering memorandum that comply with IFRS will be required to comply with the versions of NI 45-106 and the OM Forms that contain IFRS terms and phrases.

After the transition period all issuers will be required to comply with the versions NI 45-106 and the OM Forms that contain IFRS terms and phrases.

To further assist issuers and their advisors and to increase transparency, during the transition period certain jurisdictions will post two different unofficial consolidations of NI 45-106, the OM Forms and 45-106CP on their websites:

- The existing versions of NI 45-106, the OM Forms and 45-106CP that contain existing Canadian GAAP terms and phrases, which apply to an offering memorandum of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning before January 1, 2011.
- The new versions of NI 45-106, the OM Forms and 45-106CP that contain IFRS terms and phrases, which apply to an offering memorandum of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

Alternatives Considered

Instead of proposing these amendments, we considered leaving the existing Canadian GAAP terms and references in NI 45-106 and issuing a notice to the effect that, if an issuer is required or permitted under NI 52-107 to include financial statements that comply with IFRS, then the issuer may interpret any reference in the rules to a term or provision defined, or referred to, in existing Canadian GAAP as a reference to the corresponding term or provision in IFRS.

We decided not to proceed with this option for several reasons. Leaving the existing Canadian GAAP terms and phrases in the rules raises the potential for significant confusion as these terms will become less well known as time passes. In addition, the use of different terminology in securities legislation and accounting rules detracts from the goal of moving to a global accounting language.

Impact on Investors

The proposed amendments will benefit investors in several respects:

- By replacing existing Canadian GAAP terms and phrases with IFRS terms and phrases, we expect that a more consistent interpretation will be given to the prospectus and registration exemptions rule than would be the case if the proposed amendments were not implemented. More consistent disclosure practices should increase transparency to the market and thereby benefit investors.
- IFRS 1 requires issuers to prepare an opening IFRS statement of financial position at the date of transition to IFRS along with various reconciliations relating to the date of transition. As we believe investors need this information to understand how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, we will require that this disclosure be included by all reporting issuers in their first IFRS interim financial report and first IFRS financial statements and all non-reporting issuers in their first, second and third IFRS interim financial reports and first IFRS financial statements.
- In certain instances, where an issuer applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, IFRS requires the presentation of an opening statement of financial position. As we believe investors need this information to understand how the change affected the issuer's reported financial position, financial performance and cash flows, the OM Forms will require the presentation of this opening statement of financial position in both annual financial statements and interim financial reports.
- As a consequence of providing a 30 day extension to the disclosure deadline for the first IFRS interim financial report in respect of an interim period beginning on or after January 1, 2011, the financial disclosure in an offering memorandum filed during such period may be less current. However, we expect that by providing issuers with the additional time to review and approve their first IFRS financial report the quality of this disclosure will improve.

Anticipated Costs and Benefits

A description of the anticipated costs and benefits of adopting IFRS as the basis for financial reporting in Canada is included in the notice accompanying the proposed changes to NI 52-107 (the NI 52-107 notice).

NI 45-106, the OM Forms and 45-106CP refer to and rely on references to Canadian GAAP. For financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook. As a result, the proposed amendments are necessary to adapt our rules to the new IFRS environment.

Although there are costs contemplated under the NI 52-107 notice relating to the transition to IFRS, the preparation of all offering memoranda filings using the same terminology as used in the financial statements provides more meaningful information to investors. Issuers and their advisors will benefit by having exemptions rules that refer to current accounting terms.

Unpublished materials

In proposing the proposed amendments, we have not relied on any significant unpublished study, report, or other written materials.

Local Notices and Amendments

Certain jurisdictions will publish other information required by local securities legislation in Appendix D to this notice.

Publications in Quebec and New Brunswick

The Autorité des marchés financiers and the New Brunswick Securities Commission are publishing for comment today a staff notice that sets out the substantive proposed changes reflected in the proposed amendments published in the other CSA jurisdictions. Because of the legal obligation to publish amending instruments simultaneously in French and English in Québec and New Brunswick, and because the French IFRS terminology is still in a state of flux, publication for comment of proposed amendments in these provinces is presently not feasible. It is expected that the Autorité des marchés financiers and the New Brunswick Securities Commission will publish for comment corresponding proposed amendments, in French and in English, during the first quarter of 2010. However, market participants in Québec and New Brunswick are encouraged to comment on the substantive proposed changes presented in the staff notices and on the amendments published by the other CSA jurisdictions.

Comments

We request your comments on the proposed amendments outlined above. Please provide your comments in writing by January 18, 2010. If you are not sending your comments by email, an electronic file containing the submissions should also be provided (Windows format, Word).

Address your submission to the following Canadian securities regulatory authorities:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

Deliver your comments **only** to the address that follows. Your comments will be distributed to the other participating CSA member jurisdictions.

Gordon Smith
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC, V7Y 1L2
Fax: (604) 899-6814
Email: gsmith@bcsc.bc.ca

Please note that comments received will be made publicly available and posted at www.osc.gov.on.ca and the websites of certain other securities regulatory authorities. We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Questions

Please refer your questions to any of:

Gordon Smith
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
(604) 899-6656
Toll free: 800 373-6393 (toll free across Canada)
gsmith@bcsc.bc.ca

Anita Cyr
Senior Securities Analyst, Corporate Finance
British Columbia Securities Commission
(604) 899-6579
Toll free: 800 373-6393 (toll free across Canada)
acyr@bcsc.bc.ca

Taryn Montgomery
Legal Counsel
Alberta Securities Commission
(403) 297-4968
Taryn.Montgomery@asc.ca

Tracy Clark
Legal Counsel
Alberta Securities Commission
(403) 355-4424
Tracy.Clark@asc.ca

Dean Murrison
Deputy Director, Legal/Registration
Securities Division
Saskatchewan Financial Services Commission
(306) 787-5879
Dean.Murrison@gov.sk.ca

Chris Besko
Legal Counsel - Deputy Director
The Manitoba Securities Commission
(204) 945-2561
cbesko@gov.mb.ca

Jo-Anne Matear
Assistant Manager, Corporate Finance Branch
Ontario Securities Commission
(416) 593-2323
jmatear@osc.gov.on.ca

Jason Koskela
Legal Counsel, Corporate Finance
Ontario Securities Commission
(416) 595-8922
jkoskela@osc.gov.on.ca

Shirley Lee
Director, Policy and Market Regulation
Nova Scotia Securities Commission
(902) 424-5441
leesp@gov.ns.ca

Steve Dowling
Superintendent of Securities
Prince Edward Island
(902) 368-4552
sddowling@gov.pe.ca

Don Boyles
Program & Policy Development
Securities Commission of Newfoundland and Labrador
Government of Newfoundland & Labrador
(709) 729-4501
dboyles@gov.nl.ca

Louis Arki, Director, Legal Registries
Department of Justice, Government of Nunavut
(867) 975-6587
larki@gov.nu.ca

Donn MacDougall
Deputy Superintendent, Legal & Enforcement
Office of the Superintendent of Securities

Government of the Northwest Territories
PO Box 1320
Yellowknife, NT X1A 2L9
Tel: (867) 920-8984
Fax: (867) 873-0243
E-mail: donald_macdougall@gov.nt.ca

Frederik J. Pretorius
Manager Corporate Affairs (C-6)
Dept of Community Services
Government of Yukon
(867) 667-5225
Fred.Pretorius@gov.yk.ca

Appendix A

Summary of Changes to Accounting Terms and Phrases and Other Changes for National Instrument 45-106 *Prospectus and Registration Exemptions* and Companion Policy

A. TERMINOLOGY CHANGES

Accounting Terms or Phrases

We replaced the following terms and phrases used in the prospectus and registration exemption rule with comparable IFRS terms or phrases.

| Original Term or Phrase | IFRS Term or Phrase |
|--------------------------------|-----------------------------------|
| balance sheet | statement of financial position |
| cash flow statement | statement of cash flows |
| date of acquisition | acquisition date |
| earnings | profit or loss (as appropriate) |
| income statement | statement of comprehensive income |
| interim financial statements | interim financial report |
| sales/operating revenues | revenue (as appropriate) |
| statement of retained earnings | statement of changes in equity |

Amendments to Definitions

| Defined Term | Amendment to Definition |
|---------------------------------|--|
| date of transition to IFRS | As a definition of “date of transition to IFRS” was added to NI 51-102, a reference to the definition was added to Form 45-106F2. |
| financial statements | We added a definition of “financial statements” to NI 45-106 to clarify that financial statements includes interim financial reports. |
| first IFRS financial statements | As a definition of “first IFRS financial statements” was added to NI 51-102, a reference to the definition was added to Form 45-106F2. |
| forward-looking information | As a definition of “forward-looking information” was added to NI 51-102, a reference to the definition was added to Form 45-106F2. |
| operating income | As a definition of “operating income” was added to NI 51-102, a reference to the definition was added to Form 45-106F2. |

Other Changes to Accounting Terms or Phrases

| Term | Explanation of Change |
|--|--|
| business acquisitions | Section C.2(b) in Form 45-106F2 was revised to refer to NI 51-102 for changes to how the investment test is performed as a result of the transition to IFRS. |
| debt | We clarified that the reference to “debt” in Form 45-106F2 should have the legal meaning by revising the term to “debt securities”. |
| financial information related to an investment accounted for using the equity method | We revised the language describing the disclosure requirements for summarized financial information for an investment that will be accounted for using the equity method to be consistent with IFRS terminology. Refer to Form 45-106F2, sections B.1 and D.3 |
| comparative financial information exemption | Language was added to Form 45-106F2 to clarify that an issuer cannot rely on the exemption from comparative financial information if the issuer previously prepared financial statements in accordance with a prior GAAP. Refer to section B.8 Financial Statements – General in Form 45-106F2. |
| net income | As the offering memorandum purchaser could be an individual or a company, the term “profit” was added to section 3.8 of 45-106CP to be consistent with IFRS terminology. |
| Section 1701 of the CICA Handbook | We removed subsection 4(c) of Part D because this condition is not necessary in order for the alternative oil and gas disclosure to be appropriate business acquisition disclosure. As a result, there is no longer a reference in subsection 4(c) of Part D to section 1701 of the CICA Handbook. |

B. TRANSITION CHANGES

| Item | Explanation of Change | Reference |
|---|---|--|
| IAS 1 opening statement of financial position | In certain instances, where an issuer applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, IAS 1 <i>Presentation of Financial Statements</i> requires the presentation of an opening statement of financial position. Form 45-106F2 will require the disclosure of this opening statement of financial position in both annual financial statements and interim financial reports. | Form 45-106F2, Part B, paragraph 4(c) Annual Financial Statements Form 45-106F2, Part B, paragraph 5(d) Interim Financial Reports |

| Item | Explanation of Change | Reference |
|--|---|--|
| IFRS 1 opening statement of financial position | IFRS 1 requires the preparation of an opening statement of financial position at the date of transition to IFRS. We are requiring the IFRS 1 opening statement of financial position to be presented in an issuer's first IFRS interim financial report and first IFRS annual financial statements. This opening statement of financial position is the starting point for an issuer's accounting under IFRS and provides meaningful information to investors. | Form 45-106F2, Part B, paragraph 4(d) Annual Financial Statements Form 45-106F2, Part B, paragraph 5(e) Interim Financial Reports |
| IFRS 1 reconciliations | <p>IFRS 1 requires interim and annual reconciliations to be included in an issuer's first IFRS interim financial report and first IFRS annual financial statements. IFRS 1 only requires interim reconciliations for subsequent quarters in the first year of IFRS adoption. The annual IFRS reconciliations are key to describing the impact of the IFRS transition to investors.</p> <p>Since an issuer may file an offering memorandum at a time when the second or third quarter interim financial report is required to be included in the offering memorandum, and the first quarter interim financial report is no longer required to be included in the offering memorandum, we have added a disclosure requirement to include these reconciliations and the IFRS 1 opening statement of financial position in an issuer's offering memorandum.</p> | Form 45-106F2, Part B, paragraph 5(f) |
| presentation of statement of cash flows | <p>Currently, Form 45-106F2 and existing Canadian GAAP require issuers to present an interim cash flow statement for the current interim period and the year-to-date interim period (e.g., 3 months ending June 30 and 6 months ending June 30).</p> <p>IFRS only requires the presentation of a statement of cash flows for the year-to-date interim period (e.g., 6 months ending June 30).</p> <p>We have revised Form 45-106F2 to eliminate the requirement to include in an offering memorandum, a statement of cash flows for the most recent interim period (i.e., 3 months ending June 30) because it is not required in IFRS.</p> | Form 45-106F2, Part B, paragraph 5(a) Interim Financial Reports Form 45-106F2, Part C, paragraph 4(b)(ii) Interim Financial Reports |

| Item | Explanation of Change | Reference |
|---|--|---|
| presentation of statement of comprehensive income | We added disclosure requirements for the statement of comprehensive income based on the presentation options available under IFRS. If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income. | Form 45-106F2, Part B, section 4.1 Annual Financial Statements Form 45-106F2, Part B, section 5.1 Interim financial report |
| extension for first IFRS interim financial report | <p>Paragraph B.16 of Form 45-106F2 includes transition provisions that provide reporting issuers with a 30 day extension to the deadline for including in an offering memorandum the first IFRS interim financial report in respect of an interim period beginning on or after January 1, 2011. This extension applies only to reporting issuers.</p> <p>We believe this extension should be provided as the first IFRS interim financial report will be due not long after Canadian GAAP annual financial statements are required to be included in the offering memorandum. We recognize that boards of directors, audit committees, and auditors, will require additional time to review and approve the first set of IFRS financial statements. It should also be noted that other jurisdictions which transitioned to IFRS also granted filing extensions for the first IFRS filing, even though they only require issuers to file on a half-yearly basis.</p> <p>We have not provided reporting issuers with an extension to the deadline for including in a offering memorandum, subsequent IFRS interim financial reports or the first IFRS annual financial statements as we believe the filing deadlines applicable to financial statements are reasonable and appropriate after the initial changeover to IFRS.</p> | Form 45-106F2, section B.16 |

Appendix B

Proposed Amendments to National Instrument 45-106 *Prospectus and Registration Exemptions* and Companion Policy

Schedule B-1

Proposed Amending Instrument for National Instrument 45-106 *Prospectus and Registration Exemptions*, Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*, and Form 45-106F3 *Offering Memorandum for Qualifying Issuers*

1. *National Instrument 45-106 Prospectus and Registration Exemptions, Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers, and Form 45-106F3 Offering Memorandum for Qualifying Issuers are amended by this Instrument.*
2. *National Instrument 45-106 Prospectus and Registration Exemptions is amended*
 - (a) *in section 1.1 by adding the following before ““founder””:*

“financial statements” includes interim financial reports,;
 - (b) *in subparagraph 5.2(e)(i)(C) by striking out “statements” and substituting “reports”,*
 - (c) *in subsection 6.2(1) by striking out “section 6.1(a)” and substituting “section 6.1(1)(a)”, and*
 - (d) *in subsection 6.5(1) by striking out “subsection 2.9(12) or subsection 3.9(12) and substituting “subsection 2.9(15)”.*
3. *Item 4.2 of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended*
 - (a) *by striking out the heading “4.2 Long Term Debt” and substituting “4.2 Long Term Debt Securities”, and*
 - (b) *by striking out “the current portion of the long-term debt” and substituting “the portion of the debt”.*
4. *Item 8(b) of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended by striking out “sales” and substituting “revenue”.*
5. *Part B Financial Statements – General of the Instructions for Completing Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended*

- (a) **in section 1 by adding** “aggregated amounts of” **before** “assets”, **by adding** “, revenues and profit or loss” **after** “liabilities”, **by striking out** “and results of operations”, **by striking out** “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” **and substituting** “Acceptable Accounting Principles and Auditing Standards”, **and by striking out** “Under NI 52-107, a non-qualifying issuer that uses Canadian GAAP cannot use differential reporting as set out in the Handbook.” **and substituting** “Under NI 52-107, financial statements are required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. NI 52-107 does provide exemptions from this general requirement for foreign issuers or SEC issuers (as defined in NI 52-107). An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except for financial statements for a business referred to in C.1.”,
- (b) **in paragraph 3(a) by striking out** “an income statement” **and substituting** “a statement of comprehensive income”, **by striking out** “statement of retained earnings” **and substituting** “statement of changes in equity”, **and by striking out** “cash flow statement” **and substituting** “statement of cash flows”,
- (c) **in paragraph 3(b) by striking out** “balance sheet” **and substituting** “statement of financial position”,
- (d) **in paragraph 4(a) by striking out** “an income statement” **and substituting** “a statement of comprehensive income”, **by striking out** “statement of retained earnings” **and substituting** “statement of changes in equity”, **and by striking out** “cash flow statement” **and substituting** “statement of cash flows”,
- (e) **in paragraph 4(b) by striking out** “balance sheet” **and substituting** “statement of financial position” **and by striking out** “and”,
- (f) **in paragraph 4(c) by striking out** “(c) notes to the financial statements.” **and substituting:**
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and

- (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its annual financial statements,
 - (B) makes a retrospective restatement of items in its annual financial statements, or
 - (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer's first IFRS financial statements (as defined in NI 51-102), the opening IFRS statement of financial position at the date of transition to IFRS (as defined in NI 51-102), and
 - (e) notes to the financial statements.
- 4.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under Item 4 above.

- (g) ***in section 5 by striking out*** “interim financial statements” ***and substituting*** “an interim financial report”,
- (h) ***in paragraphs 5(a) and 5(b) by striking out*** “an income statement” ***and substituting*** “a statement of comprehensive income”, ***by striking out*** “statement of retained earnings” ***and substituting*** “statement of changes in equity”, ***and by striking out*** “cash flow statement” ***and substituting*** “statement of cash flows”,
- (i) ***in paragraph 5(c) by striking out*** “balance sheet” ***and substituting*** “statement of financial position”, ***and by striking out*** “the periods required by paragraphs (a) and (b)”, ***and substituting*** “the period required by paragraph (a) and the end of the immediately preceding financial year”,
- (j) ***by adding the following after paragraph 5(c):***
 - (d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

- (ii) does any of the following
 - (A) applies an accounting policy retrospectively in its interim financial report,
 - (B) makes a retrospective restatement of items in its interim financial report, or
 - (C) reclassifies items in its interim financial report,
 - (e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (f) for an issuer that is not a reporting issuer in at least one jurisdiction immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include:
 - (i) the issuer's first interim financial report in the year of adopting IFRS, or
 - (ii) both
 - (A) the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (B) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, and
 - (g) notes to the financial statements.
- 5.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under item 5 above.

(k) *by adding the following as the last sentence in section 8:*

An issuer cannot rely on this exemption if the issuer previously prepared financial statements in accordance with a prior GAAP.

- (l) *in section 13 by striking out “statements” and substituting “reports”,*
- (m) *in section 14 by adding “, as defined in NI 51-102,” after “Forward looking information”, and*
- (n) *by adding the following after section 15:*

16. Despite section B.5, an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended:

- (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the offering memorandum, and
- (b) more than 90 days before the date of the offering memorandum.

This section does not apply unless:

- (a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS,
- (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the offering memorandum, and
- (b) the offering memorandum is dated before June 29, 2012..

6. *Part C Financial Statements – Business Acquisitions of the Instructions for Completing Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended*

- (a) *in paragraph 2(a), 2(b), and section 2.1 by striking out “date of acquisition” and substituting “acquisition date”,*
- (b) *in paragraph 2(b) by adding the following after “offering memorandum for a proposed acquisition.”:*

For information about how to perform the investment test identified in this section 2(b), please refer to subsections 8.3(4.1) and (4.2) of NI 51-102 and subsections 8.2(3.1) and (4) of NI 51-102CP Continuous Disclosure Obligations.,

- (c) *in subparagraph 4(a)(i) by striking out “an income statement” and substituting “a statement of comprehensive income”, by striking out “statement of retained earnings” and substituting “statement of changes in equity”, and by striking out “cash flow statement” and substituting “statement of cash flows”,*
- (d) *in subparagraph 4(a)(i)(B) by striking out “date of acquisition” and substituting “acquisition date”,*
- (e) *in subparagraph 4(a)(ii) by striking out “balance sheet” and substituting “statement of financial position”,*
- (f) *in subparagraph 4(b)(i)(A) by striking out “an income statement” and substituting “a statement of comprehensive income”, by striking out “statement of retained earnings” and substituting “statement of changes in equity”, and by striking out “cash flow statement” and substituting “statement of cash flows”,*
- (g) *in subparagraph 4(b)(i)(A)(i) by striking out “date of acquisition” and substituting “acquisition date”,*
- (h) *in subparagraph 4(b)(i)(B) by striking out “balance sheet” and substituting “statement of financial position”,*
- (i) *by repealing subparagraph 4(b)(ii) and substituting the following:*
 - (ii) an interim financial report comprised of:
 - A. the following financial information:
 - (i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, and a statement of comprehensive income and a statement of changes in equity for the three month period ending on the last date of the interim period

that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, or

- (ii) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in C.4(b)(i) to a date before the acquisition date and after the period end in C.4(b)(ii)(A)i, and

- B. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,
- C. a statement of financial position as at the end of the period required by subparagraph (A) and the end of the immediately preceding financial year, and
- D. notes to the financial statements.

Refer to Instruction B.7 for the meaning of “interim period”.

- (j) *in section 6 by striking out “date of acquisition” and substituting “acquisition date”, and*
- (k) *in section 8 by striking out “accounted for as” and by striking out “, as that term is defined in the CICA Handbook,”.*

7. Part D Financial Statement – Exemptions of the Instructions for Completing Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is amended

- (a) *in paragraph 2 by striking out “section 3.2(a)” and substituting “section 3.3(1)(a)(i)”,*
- (b) *in paragraph 2(a) and 2(b) by striking out “balance sheet” and substituting “statement of financial position”,*

- (c) *in subparagraph 3(a)(i) by adding “aggregated amounts of” before “assets”, by adding “, revenue and profit or loss” after “liabilities”, and by striking out “and results of operations”,*
- (d) *in subparagraph 3(a)(ii) by striking out “earnings” and substituting “profit or loss”,*
- (e) *in subparagraph 3(c)(ii) by striking out the following:*

If the financial information included in an offering memorandum under D.3(a) has been derived from financial statements of a business incorporated or organized in a foreign jurisdiction that have been prepared in accordance with foreign GAAP, the information must be accompanied by a note that explains and quantifies the effect of material differences between Canadian GAAP and the foreign GAAP.

- (f) *in paragraph 4(b) by striking out “accounted for as” , by striking out ““reverse take-over”” and substituting “reverse take-over”, and by adding “and” after “NI 51-102.”,*
- (g) *by repealing paragraph 4(c),*
- (h) *by adding the following to subparagraph 4(d)(i)(D) “, as defined in NI 51-102” after “operating income”,*
- (i) *in section 5 by striking out “date of acquisition” and substituting “acquisition date”, and*
- (j) *in paragraph 5(iii) by striking out “D.5(b)(ii)” and substituting “D.5(ii)”.*

- 8. *Item 8(b) of Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “sales” and substituting “revenue”.*
- 9. *Section 1, Part B Financial Statements of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “Acceptable Accounting Principles, Auditing Standards and Reporting Currency” and substituting “Acceptable Accounting Principles and Auditing Standards”.*
- 10. *Section 2, Part C Required Updates to the Offering Memorandum of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “interim financial statements” and substituting “interim financial reports”.*
- 11. *Paragraph 1(c), Part D Information about the Issuer of the Instructions for Completing Form 45-106F3 Offering Memorandum for Qualifying Issuers is amended by striking out “interim financial statements” and substituting “interim financial report”,*

and by striking out “interim financial statements that are” *and substituting* “an interim financial report that is”.

12. *Sections 3 to 11 of this instrument apply to an offering memorandum of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*
13. *This instrument comes into force January 1, 2011.*

**Schedule B-2 Proposed Amending Instrument
for Companion Policy 45-106CP Prospectus and Registration Exemptions**

- 1. *Companion Policy 45-106CP to National Instrument 45-106 Prospectus and Registration Exemptions is amended by this Instrument.***
- 2. *Subsection 3.8(1) is amended by adding “or profit” after “\$75 000 pre-tax net income”.***
- 3. *This instrument only applies to financial periods relating to financial years beginning on or after January 1, 2011.***
- 4. *This instrument comes into force January 1, 2011.***

Appendix C

Blackline Showing Proposed Changes to Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* and Form 45-106F3 *Offering Memorandum for Qualifying Issuers*

Schedule C-1 Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:

Phone #:

E-mail address:

Fax #:

Currently listed or quoted? [If no, state in bold type: **“These securities do not trade on any exchange or market”**. If yes, state where, e.g., TSX/TSX Venture Exchange.]

Reporting issuer? [Yes/No. If yes, state where.]

SEDAR filer? [Yes/No]

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum, state in bold type: **“There is no minimum.”** and also state in bold type: **“You may be the only purchaser.”**]

State in bold type: **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: [State the minimum amount each investor must invest, or state “There is no minimum subscription amount an investor must invest.”]

Payment terms:

Proposed closing date(s):

Income tax consequences: There are important tax consequences to these securities. See item 6. [If income tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state “See item 7”. The name of the selling agent may also be stated.]

Resale restrictions

State: “You will be restricted from selling your securities for [4 months and a day/an indefinite period]. See item 10.”

Purchaser's rights

State: “You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.”

State in bold type:

“No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8.”[All of the above information must appear on a single cover page.]

Item 1: Use of Available Funds

1.1 Funds - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, please provide details about each additional source of funding. If there is no minimum offering, state “\$0” as the minimum.

Disclose also the amount of any working capital deficiency, if any, of the issuer as at a date not more than 30 days prior to the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

| | | Assuming min. offering | Assuming max. offering |
|----|--|------------------------|------------------------|
| A. | Amount to be raised by this offering | \$ | \$ |
| B. | Selling commissions and fees | \$ | \$ |
| C. | Estimated offering costs (e.g., legal, accounting, audit.) | \$ | \$ |
| D. | Available funds: $D = A - (B+C)$ | \$ | \$ |
| E. | Additional sources of funding required | \$ | \$ |
| F. | Working capital deficiency | \$ | \$ |
| G. | Total: $H = (D+E) - F$ | \$ | \$ |

1.2 Use of Available Funds - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

| Description of intended use of available funds listed in order of priority | Assuming min. offering | Assuming max. offering |
|--|------------------------|------------------------|
| | \$ | \$ |
| | \$ | \$ |
| Total: Equal to G in the Funds table above | \$ | \$ |

1.3 Reallocation - The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:

“We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.”

Item 2: Business Of [name of issuer or other term used to refer to issuer]

2.1 Structure - State the business structure (e.g., partnership, corporation or trust), the statute and the province, state or other jurisdiction under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 Our Business - Describe the issuer's business. The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision. For a non-resource issuer this disclosure may include principal products or services, operations, market, marketing plans and strategies and a discussion of the issuer's current and prospective competitors. For a resource issuer this will require a description of principal properties (including interest held) and a summary of material information including, if applicable: the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed. A resource issuer disclosing scientific or technical information for a mineral project must follow General Instruction A.8 of this Form. A resource issuer disclosing information about its oil and gas activities must follow General Instruction A.9 of this Form.

2.3 Development of Business - Describe (generally, in one or two paragraphs) the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include the major events that have occurred or conditions that have influenced (favourably or unfavourably) the development of the issuer.

2.4 Long Term Objectives - Describe each significant event that must occur to accomplish the issuer's long term objectives, state the specific time period in which each event is expected to occur, and the costs related to each event.

2.5 Short Term Objectives and How We Intend to Achieve Them

- (a) Disclose the issuer's objectives for the next 12 months.
- (b) Using the following table, disclose how the issuer intends to meet those objectives for the next 12 months.

| What we must do and how we will do it | Target completion date or, if not known, number of months to complete | Our cost to complete |
|---------------------------------------|---|----------------------|
| | | \$ |
| | | \$ |

2.6 Insufficient Funds

If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available. If alternative financing has been arranged, disclose the amount, source and all outstanding conditions that must be satisfied.

2.7 Material Agreements - Disclose the key terms of all material agreements

- (a) to which the issuer is currently a party, or
- (b) with a related party

including the following information:

- (i) if the agreement is with a related party, the name of the related party and the relationship,
- (ii) a description of any asset, property or interest acquired, disposed of, leased, under option, etc.,
- (iii) a description of any service provided,
- (iv) purchase price and payment terms (e.g., paid in instalments, cash, securities or work commitments),
- (v) the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate,
- (vi) the date of the agreement,
- (vii) the amount of any finder's fee or commission paid or payable to a related party in connection with the agreement,
- (viii) any material outstanding obligations under the agreement, and
- (ix) for any transaction involving the purchase of assets by or sale of assets to the issuer from a related party, state the cost of the assets to the related party, and the cost of the assets to the issuer.

Item 3: Interests of Directors, Management, Promoters and Principal Holders

3.1 Compensation and Securities Held - Using the following table, provide the specified information about each director, officer and promoter of the issuer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “principal

holder”). If the principal holder is not an individual, state in a note to the table the name of any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder. If the issuer has not completed its first financial year, then include compensation paid since inception. Compensation includes any form of remuneration including cash, shares and options.

| Name and municipality of principal residence | Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position | Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year | Number, type and percentage of securities of the issuer held after completion of min. offering | Number, type and percentage of securities of the issuer held after completion of max. offering |
|--|--|--|--|--|
| | | | | |
| | | | | |

3.2 Management Experience - Using the following table, disclose the principal occupations of the directors and executive officers over the past five years. In addition, for each individual, describe any relevant experience in a business similar to the issuer's.

| Name | Principal occupation and related experience |
|------|---|
| | |
| | |

3.3 Penalties, Sanctions and Bankruptcy

- (a) Disclose any penalty or sanction (including the reason for it and whether it is currently in effect) that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against
 - (i) a director, executive officer or control person of the issuer, or
 - (ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.

- (b) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any
 - (i) director, executive officer or control person of the issuer, or

- (ii) issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

3.4 Loans - Disclose the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate due to or from the directors, management, promoters and principal holders as at a date not more than 30 days prior to the date of the offering memorandum.

Item 4: Capital Structure

4.1 Share Capital - Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

| Description of security | Number authorized to be issued | Price per security | Number outstanding as at [a date not more than 30 days prior to the offering memorandum date] | Number outstanding after min. offering | Number outstanding after max. offering |
|-------------------------|--------------------------------|--------------------|---|--|--|
| | | | | | |
| | | | | | |

4.2 Long Term Debt Securities - Using the following table, provide the required information about outstanding long term debt of the issuer. Disclose the ~~current~~ portion of the ~~long-term~~ debt due within 12 months of the date of the offering memorandum. If the securities being offered are debt securities, add a column to the table disclosing the amount of debt that will be outstanding after both the minimum and maximum offering. If the debt is owed to a related party, indicate that in a note to the table and identify the related party.

| Description of long term debt (including whether secured) | Interest rate | Repayment terms | Amount outstanding at [a date not more than 30 days prior to the offering memorandum date] |
|---|---------------|-----------------|--|
| | | | \$ |
| | | | \$ |

4.3 Prior Sales - If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the last 12 months, use the following table to provide the information specified. If securities were issued in exchange for assets or services, describe in a note to the table the assets or services that were provided.

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|------------------|-------------------------|-----------------------------|--------------------|----------------------|
| | | | | |
| | | | | |

Item 5: Securities Offered

5.1 Terms of Securities- Describe the material terms of the securities being offered, including:

- (a) voting rights or restrictions on voting,
- (b) conversion or exercise price and date of expiry,
- (c) rights of redemption or retraction, and
- (d) interest rates or dividend rates.

5.2 Subscription Procedure

- (a) Describe how a purchaser can subscribe for the securities and the method of payment.
- (b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c) Disclose any conditions to closing, e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met, and whether the issuer will pay the purchasers interest on consideration.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 State: “You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.”

6.2 If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide

- (a) a summary of the significant income tax consequences to Canadian residents, and
- (b) the name of the person providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person providing the advice or state “Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.”

Item 7: Compensation Paid to Sellers and Finders

If any person has or will receive any compensation (e.g., commission, corporate finance fee or finder's fee) in connection with the offering, provide the following information to the extent applicable:

- (a) a description of each type of compensation and the estimated amount to be paid for each type,
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering),
- (c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date), and
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Risk factors will generally fall into the following three categories:

- (a) Investment Risk - risks that are specific to the securities being offered. Some examples include
 - arbitrary determination of price,
 - no market or an illiquid market for the securities,
 - resale restrictions, and
 - subordination of debt securities.
- (b) Issuer Risk - risks that are specific to the issuer. Some examples include
 - insufficient funds to accomplish the issuer's business objectives,
 - no history or a limited history of ~~sales~~revenue or profits,
 - lack of specific management or technical expertise,
 - management's regulatory and business track record,
 - dependence on key employees, suppliers or agreements,
 - dependence on financial viability of guarantor,
 - pending and outstanding litigation, and

- political risk factors.
- (c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include
- environmental and industry regulation,
 - product obsolescence, and
 - competition.

Item 9: Reporting Obligations

9.1 Disclose the documents, including any financial information required by the issuer's corporate legislation, constating documents, or other documents under which the issuer is organized, that will be sent to purchasers on an annual or on-going basis. If the issuer is not required to send any documents to the purchasers on an annual or on-going basis, state in bold type: **"We are not required to send you any documents on an annual or ongoing basis."**

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10: Resale Restrictions

10.1 General Statement - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, state:

"These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation."

10.2 Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon state one of the following, as applicable:

- (a) If the issuer is not a reporting issuer in a jurisdiction at the distribution date state: "Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date [insert name of issuer or other term used to refer to the issuer] becomes a reporting issuer in any province or territory of Canada."
- (b) If the issuer is a reporting issuer in a jurisdiction at the distribution date state: "Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date."

10.3 Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

“Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless

- (a) [name of issuer or other term used to refer to issuer] has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.”

Item 11: Purchasers' Rights

State the following:

“If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) [name of issuer or other term used to refer to issuer] to cancel your agreement to buy these securities, or
- (b) for damages against [state the name of issuer or other term used to refer to issuer and the title of any other person against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation.]

(3) Contractual Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.] If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer or other term used to refer to issuer]:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer or other term used to refer to issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer or other term used to refer to issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.”

Item 12: Financial Statements

Include in the offering memorandum immediately before the certificate page of the offering memorandum all required financial statements as set out in the Instructions.

Item 13: Date And Certificate

State the following on the certificate page of the offering memorandum:

“Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.”

**Instructions for Completing
Form 45-106F2
*Offering Memorandum for Non-Qualifying Issuers***

A. General Instructions

1. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
2. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.
3. The issuer may include additional information in the offering memorandum other than that specifically required by the form. An offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. Generally, this description should not exceed 2 pages. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.
4. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.
5. It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.
6. When the term “related party” is used in this form, it refers to:
 - (a) a director, officer, promoter or control person of the issuer,
 - (b) in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence,
 - (c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship,
 - (d) an insider of the issuer,
 - (e) a company controlled by one or more individuals referred to in (a) to (d), and
 - (f) in the case of an insider, promoter or control person that is not an individual, any person that controls that insider, promoter or control person.

(If the issuer is not a reporting issuer, the reference to “insider” includes persons or companies who would be insiders of the issuer if that issuer were a reporting issuer.)

7. Disclosure is required in item 3.1 of compensation paid directly or indirectly by the issuer or a related party to a director, officer, promoter and/or principal holder if the issuer receives a direct benefit from such compensation paid.
8. Refer to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.
9. If an oil and gas issuer is disclosing information about its oil and gas activities it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101). Under section 5.3 of NI 51-101 disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.
10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.
11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (offering memorandum) of National Instrument 45-106 Prospectus and Registration Exemptions, the issuer must modify the disclosure in item 11 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.
12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

B. Financial Statements - General

1. All financial statements, operating statements for an oil and gas property that is an acquired business or a business to be acquired and summarized financial information as to the aggregated amounts of assets, liabilities, revenues and ~~results of operations~~ profit or loss of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method included in the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles, and Auditing Standards and Reporting Currency* (NI 52-107), regardless of whether the issuer is a reporting issuer or not. Under NI 52-107, ~~a non-qualifying issuer that uses Canadian GAAP cannot use differential reporting as set out in the Handbook.~~ financial statements are required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. NI 52-107 does provide exemptions from this general requirement for foreign issuers or SEC issuers (as defined in NI

52-107). An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except for financial statements for a business referred to in C.1

2. Include all financial statements required by these instructions in the offering memorandum immediately before the certificate page of the offering memorandum.
3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum, include in the offering memorandum financial statements of the issuer consisting of:
 - (a) ~~an income~~ a statement of comprehensive income, a statement of ~~retained earnings~~ changes in equity and a statement of cash flow statement flows for the period from inception to a date not more than 90 days before the date of the offering memorandum,
 - ~~(b) — a balance sheet statement of financial position as at the end of the period referred to in paragraph (a), and~~
 - (c) ~~notes~~ to the financial statements.
4. If the issuer has completed one or more financial years, include in the offering memorandum annual financial statements of the issuer consisting of:
 - (a) ~~an income~~ a statement of comprehensive income, a statement of ~~retained earnings~~ changes in equity and a statement of cash flow statement flows for
 - (i) the most recently completed financial year that ended more than 120 days before the date of the offering memorandum, and
 - (ii) the financial year immediately preceding the financial year in clause (i), if any,
 - ~~(b) — a balance sheet 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 earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that~~
 - ~~(i) discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS, and~~
 - ~~(ii) does any of the following~~
 - ~~(A) applies an accounting policy retrospectively in its annual financial statements,~~

(B) makes a retrospective restatement of items in its annual financial statements, or

(C) reclassifies items in its annual financial statements,

(d) in the case of an issuer's first IFRS financial statements (as defined in NI 51-102), the opening IFRS statement of financial position at the date of transition to IFRS (as defined in NI 51-102), and

(e) ~~(e)~~ notes to the financial statements.

4.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under Item 4 above.

5. If the issuer has completed one or more financial years, include in the offering memorandum an interim financial ~~statements~~report of the issuer comprised of:

(a) ~~an income~~a statement of comprehensive income, a statement of ~~retained earnings~~changes in equity and a statement of cash ~~flow statement~~flows for the most recently completed interim period that ended

(i) more than 60 days before the date of the offering memorandum, and

(ii) after the year-end date of the financial statements required under B.4(a)(i),

(b) ~~an income~~a statement of comprehensive income, a statement of ~~retained earnings~~changes in equity and a statement of cash ~~flow statement~~flows for the corresponding period in the immediately preceding financial year, if any,

(c) a balance ~~sheet~~statement of financial position as at the end of the ~~periods~~period required by paragraphs (a) and the end of the immediately preceding financial year~~(b)~~, ~~and~~

(d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that

(i) discloses in its interim financial report compliance with International Accounting Standard 34 Interim Financial Reporting, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report,

(e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and

(f) for an issuer that is not a reporting issuer in at least one jurisdiction immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include:

(i) the issuer's first interim financial report in the year of adopting IFRS, or

(ii) both

(A) the opening IFRS statement of financial position at the date of transition to IFRS, and

(B) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, and

(g) notes to the financial statements.

5.1 If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under item 5 above.

6. An issuer is not required to include the comparative financial information for the period in B.4.(a)(ii) in an offering memorandum if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering memorandum.
7. For an issuer that is not an investment fund, the term "interim period" has the meaning set out in NI 51-102. In most cases, an interim period is a period ending nine, six, or three months before the end of a financial year. For an issuer that is an investment fund, the term "interim period" has the meaning set out in National Instrument 81-106 – Investment Fund Continuous Disclosure (NI 81-106).
8. The comparative financial information required under B.5(b) and (c) may be omitted if not previously prepared. An issuer cannot rely on this exemption if the issuer previously prepared financial statements in accordance with a prior GAAP.
9. The financial statements required by B.3 and the financial statements of the most recently completed financial period referred to in B.4 must be audited. The financial statements required under B.5, B.6 and the comparative financial information required by B.4 may be unaudited;

however, if any of those financial statements have been audited, the auditor's report must be included in the offering memorandum.

10. Refer to National Instrument 52-108 Auditor Oversight for requirements relating to reporting issuers and public accounting firms.
11. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
12. If the offering memorandum does not contain audited financial statements for the issuer's most recently completed financial year, and if the distribution is ongoing, update the offering memorandum to include the annual audited financial statements and the accompanying auditor's report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120th day following the financial year end.
13. The offering memorandum does not have to be updated to include interim financial statements reports for periods completed after the date that is 60 days before the date of the offering memorandum unless it is necessary to prevent the offering memorandum from containing a misrepresentation.
14. Forward looking information, as defined in NI 51-102, included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. For an issuer that is not a reporting issuer, references to "reporting issuer" in section 4A.2, section 4A.3 and Part 4B of NI 51-102 should be read as references to an "issuer". Additional guidance may be found in the companion policy to NI 51-102.
15. If the issuer is a limited partnership, in addition to the financial statements required for the issuer, include in the offering memorandum the financial statements in accordance with Part B for the general partner and, if the limited partnership has active operations, for the limited partnership.

16. Despite section B.5, an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended:

- (a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the offering memorandum, and
- (b) more than 90 days before the date of the offering memorandum.

This section does not apply unless:

- (a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS,
- (b) the issuer is a reporting issuer in any jurisdiction immediately before the date of the offering memorandum, and
- (c) the offering memorandum is dated before June 29, 2012.

C. Financial Statements - Business Acquisitions

1. If the issuer

- (a) has acquired a business during the past two years and the audited financial statements of the issuer included in the offering memorandum do not include the results of the acquired business for 9 consecutive months, or

is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high,

include the financial statements specified in C.4 for the business if either of the tests in C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

2. Include the financial statements specified in C.4 for a business referred to in C.1 if either:

- (a) the issuer's proportionate share of the consolidated assets of the business exceeds 40% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the ~~date-of~~ acquisition date or, for a proposed acquisition, the date of the offering memorandum or
- (b) the issuer's consolidated investments in and advances to the business as at the ~~date-of~~ acquisition date or the proposed ~~date-of~~ acquisition date exceeds 40% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the ~~date-of~~ acquisition date or the date of the offering memorandum for a proposed acquisition. For information about how to perform the investment test identified in this section 2(b), please refer to subsections 8.3(4.1) and (4.2) of NI 51-102 and subsections 8.2(3.1) and (4) of NI 51-102CP Continuous Disclosure Obligations.

2.1 In this Instruction C, the term “~~date-of~~ acquisition date” means the ~~date-of~~ acquisition date used for accounting purposes.

3. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering memorandum date, use the financial statements referred to in B.3 to make the calculations in C.2.
4. If under C.2 you must include in an offering memorandum financial statements for a business, the financial statements must include:
 - (a) If the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum
 - (i) ~~an income~~a statement of comprehensive income, a statement of ~~retained earnings~~changes in equity and a statement of cash flow~~statement~~flows
 - A) for the period from inception to a date not more than 90 days before the date of the offering memorandum, or
 - B) if the ~~date of~~ acquisition date precedes the ending date of the period referred to in (A), for the period from inception to the ~~date of~~ acquisition date or a date not more than 45 days before the ~~date of~~ acquisition date,
 - (ii) a ~~balance sheet~~statement of financial position dated as at the end of the period referred to in clause (i), and
 - (iii) notes to the financial statements.
 - (b) If the business has completed one or more financial years include
 - (i) annual financial statements comprised of:
 - A) ~~an income~~a statement of comprehensive income, a statement of ~~retained earnings~~changes in equity and a statement of cash flow~~statement~~flows for the following annual periods:
 - i. the most recently completed financial year that ended before the ~~date of~~ acquisition date and more than 120 days before the date of the offering memorandum, and
 - ii. the financial year immediately preceding the most recently completed financial year specified in clause i, if any,
 - B) a ~~balance sheet~~statement of financial position as at the end of each of the periods specified in (A),

- C) notes to the financial statements, and
- (ii) an interim financial ~~statements~~report comprised of:
- A) ~~an income statement, a statement of retained earnings and a cash flow statement for either:~~the following financial information:
 - i. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ~~and~~ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, and a statement of comprehensive income and a statement of changes in equity for the three month period ending on the last date of the interim period that ended before the ~~date of~~ acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under C.4(b)(i)(A)i, or
 - ii. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in C.4(b)(i) to a date before the ~~date of~~ acquisition date and after the period end in C.4(b)(ii)(A)i, and
 - B) ~~an income~~a statement of comprehensive income, a statement of ~~retained earnings~~changes in equity and a statement of cash ~~flow statement~~flows for the corresponding period in the immediately preceding financial year, if any,
 - C) a ~~balance sheet~~statement of financial position as at the end of the ~~periods~~period required by subparagraph (A) and ~~(B)~~the end of the immediately preceding financial year, and
 - D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of “interim period”.

5. The information for the most recently completed financial period referred to in C.4(b)(i) must be audited and accompanied by an auditor’s report. The financial statements required under

C.4(a), C.4(b)(ii) and the comparative financial information required by C.4(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering memorandum.

6. If the offering memorandum does not contain audited financial statements for a business referred to in C.1 for the business's most recently completed financial year that ended before the ~~date of~~ acquisition date and the distribution is ongoing, update the offering memorandum to include those financial statements accompanied by an auditor's report when they are available, but in any event no later than the date 120 days following the year-end.
7. The term "business" should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:
 - (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition, and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.
8. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be ~~accounted for as~~ a reverse take-over as defined in NI 51-102, include financial statements for the legal subsidiary in the offering memorandum in accordance with Part A. The legal parent, ~~as that term is defined in the CICA Handbook~~, is considered to be the business acquired. C.1 may also require financial statements of the legal parent.
9. An issuer satisfies the requirements in C.4 if the issuer includes in the offering memorandum the financial statements required in a business acquisition report under NI 51-102.

D. Financial Statement - Exemptions

1. An issuer will satisfy the financial statement requirements of this form if it includes the financial statements required by securities legislation for a prospectus.
2. Notwithstanding the requirements in section ~~3.2~~3.3(1)(a)(i) of NI 52-107, an auditor's report that accompanies financial statements of an issuer or a business contained in an offering memorandum of a non-reporting issuer may contain a qualification of opinion relating to inventory if
 - (a) the issuer includes in the offering memorandum a ~~balance sheet~~statement of financial position that is for a date that is subsequent to the date to which the qualification relates, and

- (b) the ~~balance sheet~~statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory, and
 - (c) the issuer has not previously filed financial statements for the same entity accompanied by an auditor's report for a prior year that contained a qualification of opinion relating to inventory.
3. If an issuer has, or will account for a business referred to in C.1 using the equity method, then financial statements for a business required by Part C are not required to be included if:
- (a) the offering memorandum includes disclosure for the periods for which financial statements are otherwise required under Part C that:
 - (i) summarizes information as to the aggregated amounts of assets, liabilities, revenue and ~~results of operations~~profit or loss of the business, and
 - (ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of ~~earnings~~profit or loss;
 - (b) the financial information provided under D.3(a) for the most recently completed financial year has been audited, or has been derived from audited financial statements of the business; and
 - (c) the offering memorandum discloses that:
 - (i) the financial information provided under D.3(a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under D.3(a) has been derived; and
 - (ii) the audit opinion with respect to the financial information or financial statements referred to in D.3(c)(i) was issued without a reservation of opinion.
- ~~If the financial information included in an offering memorandum under D.3(a) has been derived from financial statements of a business incorporated or organized in a foreign jurisdiction that have been prepared in accordance with foreign GAAP, the information must be accompanied by a note that explains and quantifies the effect of material differences between Canadian GAAP and the foreign GAAP.~~
4. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering memorandum if the acquisition is significant based only on the asset test or:
- (a) the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements,

(b) the acquisition was not or will not be ~~accounted for as~~ a “reverse take-over” as defined in NI 51-102, and

~~(c) the business did not or does not constitute a “reportable segment” of the seller, as defined in section 1701 of the CICA Handbook, at the time of acquisition, and~~

(c) Repealed (January 1, 2011)

~~(d)~~ (d) the offering memorandum contains alternative disclosure for the business which includes:

- (i) an operating statement for each of the financial periods for which financial statements would, but for this section, be required under C.4, presenting for the business, at a minimum, the following line items:
 - A) gross revenue,
 - B) royalty expenses,
 - C) production costs, and
 - D) operating income, as defined in NI 51-102.

The operating statement for the most recently completed financial period referred to in C.4(b)(i) must be audited.

- (ii) a description of the property or properties and the interest acquired by the issuer,
 - (iii) information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person who prepared the estimates,
 - (iv) actual production volumes of the property for the most recently completed year, and
 - (v) estimated production volumes of the property for the first year reflected in the estimate disclosed under D.4(d)(iv).
5. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of a property, are not required to be audited if during the 12 months preceding the ~~date of~~ acquisition date or the proposed ~~date of~~ acquisition date, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of six thousand cubic feet of gas

being the equivalent of one barrel of oil) is less than 20 per cent of the total daily average production of the seller for the same or similar periods and:

- (i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property,
- (ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records, and
- (iii) the offering memorandum discloses
 - 1. that the issuer was unable to obtain an audited operating statement,
 - 2. the reasons for that inability,
 - 3. the fact that the purchase agreement includes the representations and warranties referred to in D.5(b)(ii), and
 - 4. that the results presented in the operating statements may have been materially different if the statements had been audited.

Schedule C-2 Form 45-106F3
Offering Memorandum for Qualifying Issuers

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office:

Address:

Phone #:

E-mail address:

Fax #:

Where currently listed or quoted? [e.g., TSX/TSX Venture Exchange]

Jurisdictions in which the issuer is a reporting issuer:

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum state in bold: “**There is no minimum.**” and also state in bold type: “**You may be the only purchaser.**”]

State in bold type: **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: [State the minimum amount each investor must invest, or state “There is no minimum subscription amount an investor must invest.”]

Payment terms:

Proposed closing date(s):

Income Tax consequences: “There are important tax consequences to these securities. See item 6.” [If income tax consequences are not material, delete this item.]

Selling agent? [Yes/No. If yes, state “See item 7”. The name of the selling agent may also be stated.]

Resale restrictions

State: “You will be restricted from selling your securities for 4 months and a day. See item 10”.

Purchaser’s rights

State: “You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.”

State in bold type:

“No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8.”

[All of the above information must appear on a single cover page.]

Item 1: Use of Available Funds

1.1 Available Funds - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, please provide details about each additional source of funding. If there is no minimum offering, state “\$0” as the minimum.

Disclose also the amount of any working capital deficiency, if any, of the issuer as at a date not more than 30 days prior to the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

| | | Assuming min. offering | Assuming max. offering |
|----|---|---------------------------|---------------------------|
| A | Amount to be raised by this offering | \$ | \$ |
| B | Selling commissions and fees | \$ | \$ |
| C | Estimated offering costs (e.g., legal, accounting, audit) | \$ | \$ |
| D | Available funds: $D = A - (B+C)$ | \$ | \$ |
| E. | Additional sources of funding required | \$ | \$ |
| F. | Working capital deficiency | \$ | \$ |
| H. | Total: $H = (D+E) - F$ | \$ | \$ |

1.2 Use of Available Funds - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the table the name of the insider, associate or affiliate, the relationship to the issuer, and the amount. If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

| Description of intended use of available funds listed in order of priority. | Assuming min. offering | Assuming max. offering |
|---|---------------------------|---------------------------|
| | \$ | \$ |
| | \$ | \$ |
| Total: Equal to G in the Funds table above | \$ | \$ |

1.3 Reallocation - The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:

“We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.”

1.4 Insufficient Funds - If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer’s proposed objectives and that there is no assurance that alternative financing will be available. If alternative financing has been arranged, disclose the amount, source and any outstanding conditions that must be satisfied.

Item 2: Information About [name of issuer or other term used to refer to issuer]

2.1 Business Summary - Briefly (in one or two paragraphs) describe the business intended to be carried on by the issuer over the next 12 months. State whether this represents a change of business. The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision. If the issuer is a non-resource issuer, describe the products that the issuer is or will be developing or producing and the stage of development of each of the products. If the issuer is a resource issuer, state: whether the issuer’s principal properties are primarily in the exploration or in the development or production stage; what resources the issuer is engaged in exploring, developing or producing; and the locations of the issuer’s principal properties. A resource issuer who discloses information about its oil and gas activities must follow General Instruction A-9 of this Form.

2.2 Existing Documents Incorporated by Reference - State:

“Information has been incorporated by reference into this offering memorandum from documents listed in the table below, which have been filed with securities regulatory authorities or regulators in Canada. The documents incorporated by reference are available for viewing on the SEDAR website at www.sedar.com. In addition, copies of the documents may be obtained on request without charge from [insert complete address and telephone and the name of a contact person].

Documents listed in the table and information provided in those documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement in this offering memorandum or in any other subsequently filed document that is also incorporated by reference in this offering memorandum.”

Using the following table, list all of the documents incorporated by reference (as required by Instruction D.1):

| Description of document (In the case of material change reports, provide a brief description of the nature of the material change) | Date of document |
|--|------------------|
| | |
| | |

2.3 Existing Documents Not Incorporated by Reference - State:

“Other documents available on the SEDAR website (for example, most press releases, take-over bid circulars, prospectuses and rights offering circulars) are not incorporated by reference into this offering memorandum unless they are specifically referenced in the table above. Your rights as described in item 11 of this offering memorandum apply only in respect of information contained in this offering memorandum and documents or information incorporated by reference.”

2.4 Existing Information Not Incorporated by Reference - Certain specified information (as outlined in Instruction D.2) contained in the documents incorporated by reference may be, but is not required to be, incorporated by reference into the offering memorandum. If the issuer does not wish to incorporate that information into the offering memorandum, the issuer must state that and include a statement in the offering memorandum identifying:

- (a) the information that is not being incorporated by reference, and
- (b) the document in which the information is contained.

2.5 Future Documents Not Incorporated by Reference - State:

“Documents filed after the date of this offering memorandum are not deemed to be incorporated into this offering memorandum. However, if you subscribe for securities and an event occurs, or there is a change in our business or affairs, that makes the certificate to this offering memorandum no longer true, we will provide you with an update of this offering memorandum, including a newly dated and signed certificate, and will not accept your subscription until you have re-signed the agreement to purchase the securities.”

Item 3: Interests of Directors, Executive Officers, Promoters and Principal Holders

3.1 Using the following table, provide information about each director, executive officer, promoter and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “principal holder”). If the principal holder is not an individual, state in a note to the table the name of any person or company that, directly or

indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

| Name and municipality of principal residence | Position(s) with the issuer |
|--|-----------------------------|
| | |
| | |

3.2 State: “You can obtain further information about directors and executive officers from [insert the name and date of the document(s) with the most current information, e.g., management information circular, annual information form or material change report].”

3.3 State: “Current information regarding the securities held by directors, executive officers and principal holders can be obtained from [refer to the SEDI website at www.sedi.ca or, if information cannot be obtained from the SEDI website, refer to the securities regulatory authority(ies) or regulator(s) from which the information can be obtained, including any website(s)]. [Name of issuer or other term used to refer to issuer] can not guarantee the accuracy of this information.”

3.4 Loans - Disclose the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate due to or from the directors, management, promoters and principal holders as at a date not more than 30 days prior to the date of the offering memorandum.

Item 4: Capital Structure

Using the following table, provide the required information about outstanding securities of the issuer (including options, warrants and other securities convertible into shares). If necessary, notes to the table may be added to describe the material terms of the securities.

| Description of security | Number authorized to be issued | Price per security | Number outstanding as at [a date not more than 30 days prior to the offering memorandum date] | Number outstanding after min. offering | Number outstanding after max. offering |
|-------------------------|--------------------------------|--------------------|---|--|--|
| | | | | | |
| | | | | | |

Item 5: Securities Offered

5.1 Terms of Securities - Describe the material terms of the securities being offered, including:

- (a) voting rights or restrictions on voting,
- (b) conversion or exercise price and date of expiry,
- (c) rights of redemption or retraction, and
- (d) interest rates or dividend rates.

5.2 Subscription Procedure

- (a) Describe how a purchaser can subscribe for the securities and the method of payment.
- (b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c) Disclose any conditions to closing e.g., receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 State: “You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you”.

6.2 If income tax consequences are a material aspect of the securities being offered (e.g., flow-through shares), provide

- (a) a summary of the significant income tax consequences to Canadian residents, and
- (b) the name of the person or company providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person or company providing the advice or state “Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.”

Item 7: Compensation Paid to Sellers and Finders

If any person or company has or will receive any compensation (e.g., commission, corporate finance fee or finder's fee) in connection with the offering, provide the following information to the extent applicable:

- (a) a description of each type of compensation and the estimated amount to be paid for each type,
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering),
- (c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date), and
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Risk factors will generally fall into the following three categories:

- (a) Investment Risk - risks that are specific to the securities being offered. Some examples include
 - arbitrary determination of price,
 - no market or an illiquid market for the securities,
 - resale restrictions, and
 - subordination of debt securities.
- (b) Issuer Risk - risks that are specific to the issuer. Some examples include
 - insufficient funds to accomplish the issuer's business objectives,
 - no history or a limited history of [sales revenue](#) or profits,
 - lack of specific management or technical expertise,
 - management's regulatory and business track record,
 - dependence on key employees, suppliers or agreements,
 - dependence on financial viability of guarantor,
 - pending and outstanding litigation, and
 - political risk factors.

- (c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include
- environmental and industry regulation,
 - product obsolescence, and
 - competition.

Item 9: Reporting Obligations

9.1 Disclose the documents that will be sent to purchasers on an annual or on-going basis.

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10: Resale Restrictions

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon, state:

“These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.”

Item 11: Purchasers’ Rights

State the following:

“If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(1) Two -Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the

language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) [name of issuer or other term used to refer to issuer] to cancel your agreement to buy these securities, or
- (b) for damages against [state the name of issuer or other term used to refer to issuer and the title of any other person or company against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation].

(3) Contractual Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.] If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer or other term used to refer to issuer]:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer or other term used to refer to issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer or other term used to refer to issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.”

Item 12: Date and Certificate

State the following on the certificate page of the offering memorandum:

“Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.”

**Instructions for Completing
Form 45-106F3
*Offering Memorandum for Qualifying Issuers***

A. General Instructions

1. Only a “qualifying issuer” may use this form.
2. An issuer using this form to draft an offering memorandum must incorporate by reference certain parts of its existing continuous disclosure base. An issuer that does not want to do this must use Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers.
3. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
4. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure about an item that does not apply.
5. The issuer may include additional information in the offering memorandum other than that specifically required by the form. The offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.
6. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.
7. It is an offence to make a misrepresentation in the offering memorandum. This applies both to information that is required by the form and to additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.
8. Refer to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.
9. If an oil and gas issuer is disclosing information about its oil and gas activities it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101). Under section 5.3 of NI 51-101 disclosure of reserves or resources must be consistent with the

reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.

10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.
11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (offering memorandum) of National Instrument 45-106 Prospectus and Registration Exemptions, the issuer must modify the disclosure in item 12 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.
12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in NI 51-102 Continuous Disclosure Obligations (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

B. Financial Statements

1. All financial statements incorporated by reference into the offering memorandum must comply with NI 51-102 and National Instrument 52-107 *Acceptable Accounting Principles, ~~and Auditing Standards~~ and ~~Reporting Currency~~*.
2. Forward-looking information included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

C. Required Updates to the Offering Memorandum

1. If the offering memorandum does not incorporate by reference the issuer's AIF, and audited financial statements for its most recently completed financial year, update the offering memorandum for any financial statements that are required to be filed prior to the distribution to incorporate by reference the documents as soon as the documents are filed on SEDAR.
2. Except for documents referred to in C.1, the offering memorandum does not have to be updated to incorporate by reference interim financial ~~statements~~reports or other

documents referred to in D.1 unless it is necessary to do so to prevent the offering memorandum from containing a misrepresentation.

D. Information about the Issuer

1. *Existing Documents Incorporated by Reference* - In addition to any other document that an issuer may choose to incorporate by reference, the issuer must incorporate the following documents:
 - (a) the issuer's AIF for the issuer's most recently completed financial year for which annual financial statements are either required to be filed or have been filed,
 - (b) material change reports, except confidential material change reports, filed since the end of the financial year in respect of which the issuer's AIF is filed,
 - (c) the interim financial ~~statements~~report for the issuer's most recently completed interim period for which the issuer prepares an interim financial ~~statements~~report that ~~are~~is required to be filed or have been filed and which ends after the most recently completed financial year referred to in (d),
 - (d) the comparative financial statements, together with the accompanying auditor's report, for the issuer's most recently completed financial year for which annual financial statements are required to be filed or have been filed,
 - (e) if, before the offering memorandum is filed, financial information about the issuer for a financial period more recent than the period for which financial statements are required under D.1(c) and (d) is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication,
 - (f) management's discussion and analysis (MD&A) as required under NI 51-102 for the period specified in D.1(c) and D.1(d),
 - (g) each business acquisition report required to be filed under NI 51-102 for acquisitions completed since the beginning of the financial year in respect of which the issuer's AIF is filed, unless the issuer incorporated the business acquisition report by reference into its AIF for its most recently completed financial year for which annual financial statements are either required to be filed or have been filed, or incorporated at least 9 months of the acquired business or related businesses operations into the issuer's most recent audited financial statements,
 - (h) any information circular filed by the issuer since the beginning of the financial year in respect of which the issuer's most recent AIF is filed, other than an information circular prepared in connection with an annual general meeting if the

issuer has filed and incorporated by reference an information circular for a subsequent annual general meeting,

- (i) if the issuer has oil and gas activities, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, the most recent Form 51-101F1, Form 51-101F2 and Form 51-101F3, filed by an SEC issuer, unless
 - (i) the issuer's current AIF is in the form of Form 51-102F2; or
 - (ii) the issuer is otherwise exempted from the requirements of NI 51-101,
- (j) any other disclosure document which the issuer has filed pursuant to an undertaking to a provincial and territorial securities regulatory authority or regulator since the beginning of the financial year in respect of which the issuer's most recent AIF is filed, and
- (k) any other disclosure document of the type listed above that the issuer has filed pursuant to an exemption from any requirement under securities legislation since the beginning of the financial year in respect of which the issuer's most recent AIF is filed.

2. *Mineral Property* – If a material part of the funds available as a result of the distribution is to be expended on a particular mineral property and if the issuer's most recent AIF does not contain the disclosure required under section 5.4 of Form 51-102F2 for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 of Form 51-102F2.

An issuer may incorporate any additional document provided that the document is available for viewing on the SEDAR website and that, on request by a purchaser, the issuer provides a copy of the document to the purchaser, without charge.