

March 31, 2004

Dear Client/Colleague:

New National Continuous Disclosure Rules, Certification of Disclosure in Annual and Interim Financial Statement Filing and Shortened Hold Periods

Effective March 30, 2004, securities legislation in Canada will change quite significantly. We have prepared this short letter to outline the major changes.

A. Continuous Disclosure Rules

In December 2003, the Canadian Securities Administrators (the “CSA”) published National Instrument 51-102 – Continuous Disclosure Obligations (the “Instrument”), which, amongst other things, is intended to provide a nationally harmonized and simplified set of continuous disclosure requirements for public companies.

The Instrument establishes consistent disclosure standards nationally for public companies in respect of financial statements, management’s discussion and analysis (“MD&A”), reporting of material changes, reporting of significant business acquisitions, annual information forms (“AIFs”), executive compensation disclosure, shareholder meeting materials and other disclosure and filing requirements.

Some of the requirements will not apply in British Columbia, for example, issuers will be exempted in BC from business acquisition reports, restricted share disclosure and some of the filing requirements. However, you still need to be aware of and comply with these obligations, because if you are a reporting issuer anywhere else in Canada, as most of you are, these requirements will still apply to you.

The Instrument becomes effective throughout Canada on March 30, 2004. However, the requirements of the Instrument with respect to annual and interim financial statements, MD&A and AIFs apply for financial years (and interim periods therein) starting on or after January 1, 2004. In addition, the requirements relating to business acquisition reports will apply if the relevant agreement was entered into after March 30, 2004. Finally, the requirements relating to proxy solicitation and information circulars will apply after June 1, 2004.

The following highlights the key elements of the Instrument:

1. Financial Statement and MD&A Filings

The filing deadlines for annual and interim financial statements and related MD&A have been shortened. Reporting issuers **that are not venture issuers** are required to file their annual financial statements and MD&A within 90 days of their financial year end, and interim financial statements and MD&A within 45 days of the end of each quarter.

A venture issuer is an issuer that does not have its securities listed or quoted on the Toronto Stock Exchange (the “TSX”), a national securities exchange in the US, Nasdaq, or a market place outside of

Canada and the US (for example, AIM, the Australian Stock Exchange or the Frankfurt Stock Exchange). You are a venture issuer if your securities are listed only on the TSX Venture Exchange (the "TSXV"), CNQ or the OTCBB or any combination of these market places. Venture issuers are required to file their annual financial statements and MD&A within 120 days of their financial year end, and interim financial statements and MD&A within 60 days of the end of each quarter.

2. Approval of Financial Statements

All annual and interim financial statements and MD&A must be approved by your board of directors before they are filed. The board may delegate the responsibility for approving interim financial statements to the audit committee. However, you should check your corporate legislation to confirm this delegation is permitted.

3. Auditor Review of Interim Financial Statements

The Instrument does not require you to have your interim financial statements reviewed by your auditor, however, it does require disclosure if a review is not performed or a review is done and certain issues arise.

4. Delivery of Financial Statements

The Instrument eliminates the current requirement for delivery of annual financial statements to all securityholders, and also changes the delivery requirement for interim financial statements.

You must now send annually a request form to your securityholders using the procedures set out in National Instrument 54-101 Communication with Beneficial Owners of Securities of Reporting Issuers. If a securityholder requests a copy of the financial statements, then you must send a copy of the financial statements and the corresponding MD&A by the later of: (a) the filing deadline for the statements; or (b) 10 days after receiving the request.

However, please note that certain corporate legislation will still require delivery of annual financial statements to all securityholders other than holders of debt securities.

5. Management Discussion and Analysis

MD&A must be prepared and filed according to the new form of MD&A for financial periods starting on or after January 1, 2004. For issuers with a December 31 year end, this means that MD&A in the new form will be required for the quarter ended March 31, 2004.

The new form of MD&A requires disclosure of changes in accounting policies, critical accounting estimates, off-balance sheet arrangements, contractual obligations, related party transactions and other items, similar to already existing requirements in the United States under Sarbanes-Oxley.

Please note that if you are a non-venture issuer and have a December 31, 2003 year end, you might want to consider voluntarily including the updated MD&A requirements in your annual MD&A for 2003, which has to be filed by May 19, 2004, otherwise the disclosure will be inconsistent with the MD&A for the first quarter ended March 31, 2004 which has to be prepared in the new form and has to be filed by May 15, 2004. This approach should also simplify the preparation of the first quarter MD&A.

6. Annual Information Forms

A reporting issuer that is not a venture issuer must file an AIF and copies of all material incorporated by reference in the AIF, and not previously filed, within 90 days of the end of its financial year end. Venture issuers are no longer required to file AIFs. However, venture issuers will need to voluntarily file an AIF if they want to rely on the short form of offering memorandum, a short form offering document under the TSXV policies or a short form prospectus under National Instrument 44-101- Short Form Prospectus Distributions.

This new filing requirement applies to financial years beginning on or after January 1, 2004. This means that the first time a non venture issuer will have to file an AIF under the Instrument will be in 2005.

7. Business Acquisition Reports

Reporting issuers will be required to file a “business acquisition report” (a “BAR”) within 75 days after completion of a significant business acquisition (subject to certain exceptions). This is a new requirement for business acquisition reporting. The requirements for filing a BAR and the extent of the historical financial statements of an acquired business that you must provide in a BAR depend upon the significance of the acquisition. The significance of an acquisition is based upon asset, investment or income tests.

Non venture issuers have to apply the asset, investment and income tests, whereas venture issuers only have to apply the asset and investment tests. Venture issuers only have one threshold of significance at the 40 percent level. This means that if both the consolidated assets and the consolidated investment in the acquired business represent less than 40 percent of your assets prior to the acquisition, then the acquisition is not a significant acquisition. Non venture issuers have to apply all three significance tests using two thresholds of significance - 20 percent and 40 percent.

The number of years of annual financial statements of the acquired business that must be included in a BAR depend upon whether the issuer is a venture issuer or a non venture issuer and the threshold of significance. Venture issuers that make a significant acquisition must obtain and file one year of audited financial statements of the acquired business and any subsequent interim financial statements. Nonventure issuers that make an acquisition in the 20-40 percent significance level must obtain and file the same financial statements as for venture issuers, but all acquisitions by non-Venture issuers over the 40% level require the filing of two years of audited financial statements of the acquired business and any subsequent interim financial statements.

No reporting is required in respect of significant business dispositions.

BAR's do not need to be filed in British Columbia. However, they must be filed if you are a reporting issuer in any other Province or Territory in Canada, which most of you are.

8. Form and Content of Information Circulars

The Instrument sets out new and comprehensive rules regarding proxy solicitations and the form and content of the form of proxy and information circular sent in respect of a proxy solicitation. These requirements apply to information circulars mailed after June 1, 2004.

Effective March 30, 2004 you must also file a report to disclose the results of a vote of your securityholders. This requirement does not apply to venture issuers. If you are a non venture issuer, the report must describe the matter that was voted on, and the outcome of the vote.

9. Executive Compensation

The disclosure of executive compensation in information circulars must now always include the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), regardless of the amount of compensation that they receive, and the next three (previously four) most highly compensated executive officers. The compensation threshold for disclosure for executive officers other than the CEO and CFO has however, been increased from \$100,000 to \$150,000.

10. Material Documents

The Instrument requires that you must file on SEDAR copies of material documents. This includes: (a)

your constating documents;

- (b) contracts that define or materially affect the rights of your securityholders, such as shareholder agreements and shareholder rights plans; and
- (c) material contracts, other than those entered in the ordinary course of business, that are entered into after January 1, 2002 and that remain material.

The documents must be filed by the earlier of: (a) when you file your material change report, if entering into a contract constitutes a material change; or (b) when you file your AIF, if you are required to file an AIF, to the extent the document was entered into before your financial year-end.

If you do not have to file an AIF under the Instrument, then the documents must be filed within 120 days after your financial year-end, provided that the documents were entered into before the financial year-end.

This requirement applies immediately when the Instrument comes into effect. However, since you do not have to file any documents that are already in place at March 30, 2004, until you file your first AIF under the new rules, these existing documents will not have to be filed until 2005. Similarly, if you do not have to file an AIF, you will also not need to file most documents until 2005. The exception will be new material contracts entered into after March 30, 2004 that constitute a material change, as these will need to be filed with the material change report.

B. Certification of Disclosure in Annual and Interim Filings

In June 2003, the CSA published Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (the “Certification Instrument”), which provides a new requirement for CEOs and CFOs to certify that they have designed and implemented disclosure controls and procedures and internal control over financial reporting. This certification is required to be made by CEOs and CFOs four times a year with the filing of annual and interim financial statements, annual and interim MD&A and AIFs.

This Certification Instrument parallels the Sarbanes Oxley Act in the United States and has been initiated in Canada to address investor confidence and to uphold the reputation of Canada’s markets.

Certification is required for financial periods commencing January 1, 2004. However, there is a one year transition period where issuers are only required to provide a reduced version of the annual and interim certificates, designed to provide time for issuers to establish appropriate internal controls and disclosure controls.

The Certification Instrument becomes effective throughout Canada, except in British Columbia on March 30, 2004. However, you must comply with this Certification Instrument if, as in most cases, your company is a reporting issuer in any other province or territory of Canada.

C. Shortened Hold Periods

Effective March 30, 2004 Multilateral Instrument 45-102 – Resale of Securities is being amended to provide that the hold period on newly issued securities of reporting issuers is reduced from 12 months to four months, irrespective of whether the issuer has filed an AIF. This means that any securities previously issued under Multilateral Instrument 45-102 that carry a restricted period or seasoning period that exceeds four months will now be reduced to four months.

D. Audit Committees

Effective March 31, 2004, all securities commissions in Canada, except for the British Columbia Securities Commission have implemented Multilateral Instrument 52-110 (“MI 52-110”)with respect to audit committees. As most of you will be reporting issuers in Canadian jurisdictions other than British Columbia, this instrument will apply to you. MI 52-110 provides that all issuers must have an audit committee which complies with the instrument and prescribes that each audit committee must have a written charter which sets out its mandate. In addition, all non-venture issuers are required to have an audit committee composed of a minimum of three members all of whom must be directors of the issuer who, subject to certain exceptions, are independent of management and financially literate. In addition, all non-venture issuers must include certain disclosure in its AIF about, amongst other things, the composition of the audit committee and its policies and procedures.

If you have any questions or would like more information, please contact us as set out below:

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Yours truly,

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