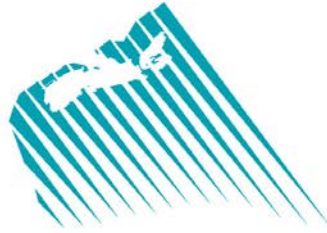


# CNSOPB



CANADA-NOVA SCOTIA  
OFFSHORE PETROLEUM BOARD

## RFP – Audit Services

### Additional Information

#### Questions & Answers (Q&As) – Wednesday, May 22, 2024

Q1) In your RFP, you request the auditor's report in both English and French along with the financial statements – do you also require French translation services of the financial statements or only the auditor's report prepared in both languages?

A1) We require our audited Financial Statements be provided to the CNSOPB in both English and French. An example of our 2022-2023 of translated audited financial statements are found with our 2022-2023 Annual Report at this [link](#).

Q2) In the past, would you be able to share the nature of the assurance engagement performed by your incumbent auditor for the Financial Security Audit on Work Expenditure Bid Deposits? There are differences in the work required and we want to make sure we provide you with an accurate quote.

a. Based on your description, I would expect it to be a *CSAE 3530 Attestation Engagements to Report on Compliance* or a *CSAE 3531 Direct Engagements to Report on Compliance*

A2) For reference, a copy of the *Procedures for the Administration of Financial Instruments for Exploration Licences in the Canada-Newfoundland and Labrador and the Canada-Nova Scotia Offshore Areas (effective April 1, 2021)* is attached. (Attachment #1.) The nature of the assurance engagement was performed in accordance with the *Canadian Standard on Assurance Engagements 3531, Direct Engagements to Report on Compliance*.

Q3) Did your incumbent auditor report any significant findings or prepare significant adjusting entries as part of their audit / preparation of the financial statements?

A3) No, the incumbent auditor did not report any significant findings or prepare significant adjusting entries as part of their audit / preparation of the financial statements.

**Procedures for the Administration of Financial Instruments**

**for Exploration Licences in the Canada - Newfoundland and Labrador**

**and the Canada - Nova Scotia Offshore Areas**

**(effective April 1, 2021)**

## **SECTION 1: BACKGROUND**

In 1992, the Frontier Lands Management Division [now the Offshore Petroleum Management Division (OPMD)] in the Department of Energy, Mines and Resources [now Natural Resources Canada (NRCan)] developed Procedures for the Administration of Security Deposits in order to standardize the administration of Financial Security for offshore Exploration Licences and to ensure proper accountability.

The original procedures were developed in consultation with NRCan's Accounting, Policy and Systems Division [now the Financial Policy, Reporting and Internal Controls Division (FPRICD)] and officials of the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) (the Boards). Representatives of the Governments of Nova Scotia (now Nova Scotia Department of Energy and Mines) and Newfoundland and Labrador (now Newfoundland and Labrador Department of Industry, Energy and Technology) (provincial governments) were also consulted.

The responsibility of the Boards is derived from operational activities related to the administration of Financial Security. NRCan's role is to ensure proper financial administration of federal assets and offshore revenues as well as to process the payment of equivalent amounts to the provinces pursuant to Section 214 of the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act* and Section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*. The federal government is also responsible for recording securities and for reporting to central agencies and federal auditors. The provincial governments' interest relates to their role as ultimate recipients of revenues equivalent to those accruing from any forfeiture of Financial Security.

OPMD is responsible for the maintenance of these procedures, which are subject to review and amendment from time to time in consultation with the Boards and the provincial governments. A detailed review of the procedures took place in 2014 and again in 2020 and the title of the document has been updated and is now called the Procedures for the Administration of Financial Instruments (PAFI).

For clarification, these procedures, as amended, are intended to ensure that the Boards administer Financial Security Requirements in a consistent manner. They do not, however, require each Board to have identical Financial Instruments in place. Where the Boards do use identical Financial Instruments, the procedures for administering these instruments should nonetheless be the same. Discretion remains with the Boards with respect to the type of Financial Instrument that is required and accepted.

For greater certainty, the scope of this PAFI does not extend to other matters relating to Exploration Licences such as bid deposits that are provided by industry as part of a bid package during a Call for Bids, licence fees or Registry fees, as they are not intended to secure performance under an Exploration Licence.

## **Definitions**

“Accord Acts” means the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*, R.S.C 1988, c.28 and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* S.N.S. 1987, c.3., and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act* (S.C. 1987, c. 3) and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*, R.S.N.L. 1990, c. C-2.

“Bank” means one of the Schedule I Banks as defined by the *Bank Act* (S.C. 1991, c. 46).

“Call for Bids” means a Call for Bids made pursuant to the Accord Acts.

“Cash” means a certified cheque, bank draft, money order or Electronic Funds Transfer (EFT) into the account of the Receiver General for Canada.

“Drilling Deposit” means an amount, as defined in the terms and conditions of Exploration Licences, which must be posted to extend Period 1 of the Exploration Licence.

“Financial Security Requirement” means an amount posted to secure performance under an Exploration Licence and can include a Work Commitment Deposit, Drilling Deposit, Licence Deposit and Rental Deposit.

“Financial Instrument” means the type of instrument (e.g. Cash, bank letter of guarantee, irrevocable standby letter of credit) used by an Interest Holder to satisfy a Financial Security Requirement.

“Interest Holder” means, in respect of an interest or a share therein, the holder of the interest or the share (e.g. an Exploration Licence).

“Licence Deposit” means an amount, as defined in the alternative terms and conditions of Exploration Licences issued by the CNSOPB, which must be posted at the beginning of the term of the Exploration Licence until the Work Commitment Deposit is required to be posted.

“Rental Deposit” means the annual rentals required to be paid, as defined in the terms and conditions of Exploration Licences, which must be posted each year of Period 2 of the Exploration Licence.

“Work Commitment Deposit” means “Work Deposit” as defined by the CNSOPB and “Security Deposit” as defined by the C-NLOPB. Pursuant to the terms and conditions of the Call for Bids, the successful bidder must post a Work Commitment Deposit, in the amount of a prescribed percentage of the Work Expenditure Bid.

“Work Expenditure Bid” means the amount of money committed to be spent on exploration during Period 1 of an Exploration Licence.

## **SECTION 2: ADMINISTRATIVE PROCEDURES FOR WORK COMMITMENT DEPOSITS**

**2.1.** Pursuant to the terms and conditions of a Call for Bids, the successful bidder shall provide a Work Commitment Deposit in the form of:

- a promissory note (or notes) payable on demand, accompanied by a bank letter(s) of guarantee issued by a Bank;
- Cash or
- an irrevocable standby letter of credit issued by a Bank.

The Work Commitment Deposit may be provided in paper or electronic form as prescribed by the Boards in accordance with this PAFI.

The Work Commitment Deposit must be submitted and may be one or a combination of these Financial Instruments, at the discretion of the Boards.

Interest Holders of an Exploration Licence may each submit a separate Financial Instrument, representing their proportionate share of the required Work Commitment Deposit. The Interest Holders of an Exploration Licence must designate a representative who will be responsible for collecting and submitting the collective instruments.

Work Commitment Deposits shall be reduced or released on the basis of allowable expenditures made under the Exploration Licence. Rates of allowable expenditures are detailed in each Exploration Licence. Such reduction shall be calculated based on the entire outstanding Work Commitment Deposit for the Exploration Licence. For greater certainty, an Interest Holder individually cannot reduce its proportionate Work Commitment Deposit by filing a separate allowable expenditure relating to its work on the Exploration Licence, unless otherwise permitted by the respective Board.

When sufficient expenditures to meet the Work Expenditure Bid have not been incurred, all or a portion of the Work Commitment Deposit amount will be forfeited. Forfeited amounts are then classified by the Boards as revenues payable to the Receiver General for Canada. When a forfeited Financial Instrument is in the form of promissory notes and bank letters of guarantee or irrevocable standby letters of credit, these forfeitures may be deposited electronically into the account for the Receiver General for Canada by the Boards. When a forfeited Financial Instrument is provided by the Interest Holder to the Boards in the form of Cash, it is the responsibility of NRCan. Upon receipt by the Board, the respective province and OPMD shall be notified, and the forfeited Cash Financial Instrument shall be forwarded to OPMD to be deposited into the account for the Receiver General for Canada, or for further processing.

Amounts equal to any forfeited amounts are then credited to the Nova Scotia Offshore Revenue Account or the Newfoundland and Labrador Offshore Petroleum Resource Revenue Fund, as appropriate, for eventual transfer to the respective province.

No interest is paid in respect of any Financial Instrument used to meet a Financial Security Requirement.

## **2.2. Custody and Safeguarding of Financial Instruments**

Boards are responsible for custody, safeguarding and release of any Financial Instrument that is not in the form of Cash.

When a Financial Instrument is provided by the Interest Holder to the Boards in the form of Cash, it is the responsibility of NRCan. Upon receipt by the Board, the respective province and OPMD shall be notified, and the Cash Financial Instrument shall be forwarded to OPMD to be deposited into the account for the Receiver General for Canada, or for further processing.

The Boards shall, in their discretion, following consultation with NRCan's OPMD and Corporate Reporting Unit, FPRICD, Finance and Procurement Branch (CRU/FPB):

- a) contract with a financial institution (listed in Schedule I to the *Bank Act*) having the personnel, experience and information technology systems necessary to act as custodian, under a Board's direction, of any paper-based or electronic Financial Instruments, including non-cash Financial Instruments (such financial institution referred to herein as the "Third-Party Custodian"), and / or
- b) for paper filings, keep original Financial Instruments locked in a fire resistant safe or fire resistant filing cabinet approved for storage of top secret documents. Photocopies shall be used as working reference documents. Only two people are to have access (keys) to the safe or filing cabinet.

The release of any Financial Instrument held by the Board is subject to written authorization from NRCan officials to whom the Minister has delegated signing authority for the release, consistent with NRCan's *Delegation of Financial Authorities Instrument* (Delegation Instrument).

## **2.3. Mailing and Electronic Transmission Procedures**

### ***Mailing***

Original (paper-based) Financial Instruments shall be transmitted via bonded courier or registered mail. Paper copies of Financial Instruments may be transmitted via regular mail or by email.

### ***Electronic Transmission***

Financial Instruments may also be transmitted electronically to the Third-Party Custodian in the manner, and according to any procedures established between the respective Board and a Third-Party Custodian.

### **2.4. Assignment of Responsibilities**

The PAFI include the following elements and responsibilities:

#### **- CRU/FPB, NRCan**

- following notification by OPMD, will access any Third Party Custodian information technology system to update NRCan's departmental financial system to reflect Financial Instruments received and released;
- will provide periodic reports from NRCan's departmental financial system to OPMD for reconciliation; and
- will provide relevant information to NRCan's delegated authority to support the approval of the release of Financial Security requested by OPMD.

#### **- OPMD, NRCan**

- will maintain records for reporting and audit purposes to satisfy central agency requirements, and to the degree permitted, rely upon any electronic records or transaction reports generated from any Third Party Custodian information technology system;
- will provide the CRU/FPB, either in paper or electronic format, with copies of all promissory notes and letters of guarantee and details of Cash deposits and EFTs or irrevocable standby letters of credit, approvals of security releases and any other supporting information required to record securities in NRCan's departmental financial system;
- will notify the respective Board upon receipt if a Work Commitment Deposit in the form of Cash is sent directly to the Receiver General for Canada by an Interest Holder;
- will liaise and provide expertise and support to the delegated authority as identified in the NRCan Delegation Instrument in relation to Boards' request for authorization to release any Financial Instrument;
- will secure the necessary approvals authorizing the release of any Financial Instrument from the delegated authority as identified in the NRCan Delegation Instrument and convey authorization to the Boards via letter (within 10 business days from receipt of a request from the Boards);

- will reconcile branch accounts with NRCan's departmental financial system; and
- will reconcile annually, as at March 31, the balance of the securities in NRCan's departmental financial system to the inventory of Work Commitment Deposits held by the Boards and to the listing of Cash deposits.

**- The Boards**

- will be responsible, in respect to original paper documents or electronic means, for the custody, safeguarding and release of promissory notes and bank letters of guarantee or irrevocable standby letters of credit to the Interest Holder of an Exploration Licence, presentation of promissory notes and bank letters of guarantee or irrevocable standby letters of credit for payment and the deposit of forfeited amounts into the Consolidated Revenue Fund;
- will provide OPMD and the relevant province (should the province request it), electronic copies of each promissory note and bank letter of guarantee or irrevocable standby letter of credit upon receipt. In the alternative, a respective Board will provide access to OPMD and CRU/FPB to any Third Party Custodian information technology system. The respective Board will notify OPMD of any updates to Financial Instruments;
- will notify the respective province and OPMD when a Cash Financial Instrument is provided by the Interest Holder to the Boards. Given that Cash Financial Instruments are the responsibility of NRCan, the Financial Instrument shall be forwarded to OPMD to be deposited into the account for the Receiver General for Canada, or for further processing;
- will ensure that the promissory notes and bank letters of guarantee, or irrevocable standby letters of credit meet the criteria developed for acceptability (as outlined in section 2.5) and will arrange with the Interest Holders of an Exploration Licence for replacement of those which do not meet the criteria;
- will administer Financial Instruments in a manner that ensures that all promissory notes and bank letters of guarantee, or irrevocable standby letters of credit held by the Boards at any given moment are valid and ensure that Boards monitor and coordinate with Interest Holders to ensure timely and seamless renewal or replacement of promissory notes and bank letters of guarantee, or irrevocable standby letters of credit;
- will ensure that the Financial Instruments are safeguarded as specified in the Custody and Safeguarding of Financial Security section;



- will request authorization from OPMD for the release of any Financial Instrument held by the Board. Requests for authorization will be sent to the Senior Director of OPMD identified in the PAFI, via a letter or pdf outlining all the necessary details to facilitate approval (guidelines for the information required are provided under Annex 1);
- will provide OPMD and the relevant province with documentation respecting the release of Financial Instruments and will only return promissory notes and related bank letters of guarantee or irrevocable standby letters of credit, to the Interest Holder of an Exploration Licence, once notification has been provided to OPMD and the relevant province and upon receipt of written authorization from the NRCan delegated authority authorizing release of the Financial Instrument;
- will notify OPMD and the relevant province at least 30 days prior to the expiry of Period 1, or in the situation of an early licence surrender when that pending surrender is known, of the financial status of the Work Commitments, including possible forfeitures;
- in the event that the Interest Holder of an Exploration Licence (or collectively the Interest Holders of an Exploration Licence) fails to provide a certified cheque, bank draft, money order or EFT, the Board will notify OPMD, and Board staff will present the promissory note and bank letter of guarantee or irrevocable standby letter of credit to the bank for realization;
- if the forfeited amount is less than the face value of the promissory note and bank letter of guarantee or irrevocable standby letter of credit, arrangements will be made by OPMD to issue an adjustment cheque, or EFT to the Interest Holder of an Exploration Licence. Board staff will coordinate the timing for the presentation of the promissory note and bank letter of guarantee or irrevocable standby letter of credit for realization with OPMD in order that the adjustment EFT or cheque be prepared and forwarded to the Interest Holder of an Exploration Licence on a timely basis;
- on an annual basis, by March 31, the Boards will provide OPMD with an inventory of the Financial Instruments on hand; and
- the annual audit of the Boards by external auditors shall include an audit of all Financial Security Requirements related to Work Commitment Deposits.

Authorization to release Financial Instruments held by the respective Board is the responsibility of NRCan delegated authority as identified in NRCan's Delegation Instrument. NRCan has internal procedures that describe internal roles and responsibilities relating to securing NRCan's approval of the Boards' request.

## **2.5 Criteria for Financial Instruments (Promissory Notes, Bank Letters of Guarantee, and Irrevocable Standby Letters of Credit)**

The criteria and form of Financial Instrument shall be that prescribed in the respective Call for Bids for the Exploration Licence.

### **Promissory Notes must:**

- be dated;
- be identified as a non-interest bearing demand promissory notes;
- be accompanied by a letter of guarantee issued by a Bank;
- be unconditional;
- be on company letterhead;
- be executed by authorized signing officers of a company;
- be payable to the Receiver General for Canada;
- be explicit as to the address of the branch where the promissory note(s) may be presented in Halifax, Nova Scotia or St. John's, Newfoundland and Labrador, as appropriate;
- refer to the Call for Bids and parcel number or appropriate licence giving rise to the posting of the security;
- be explicit as to the amount;
- be countersigned as approved for issue by an authorized signing officer of the bank; and
- be submitted to the C-NLOPB or the CNSOPB, as appropriate.

### **Promissory Notes must not:**

- bear an expiry date (although the promissory note(s) may be subject to terms and conditions contained in the bank letter of guarantee which may have an expiry date); and
- impose restrictions on the manner of endorsement by persons or agencies who may present them for payment on behalf of the Receiver General for Canada.

### **Bank Letters of Guarantee must:**

- be dated;
- be issued by a Bank;
- be on the Bank letterhead;
- be executed by an authorized signing officer of the bank;
- be payable to the Receiver General for Canada;
- have the beneficiary named as the C-NLOPB or the CNSOPB, as appropriate;
- refer to the promissory note(s) being guaranteed and to the company providing the promissory note(s);
- be explicit in agreeing to pay on demand the sum named in the promissory note(s);

- be either without an expiry date, or if stated, the guarantee must be valid for not less than 180 days following expiry of the period for which the security is posted;
- be explicit as to the address of the branch where the guarantee may be presented (in Halifax, Nova Scotia, St. John's, Newfoundland and Labrador, or elsewhere as required by the issuing Bank);
- refer to the Call for Bids and parcel number, appropriate licence, or other conditions, as appropriate, which give rise to the requirement to post Financial Security Obligations; and
- contain standard conditions such as requiring the promissory note(s) to be signed by the company and wording to indicate the bank's Approval for Issue, including the signature of authorized bank officials.

**Bank Letters of Guarantee must not:**

- be subject to renewal, annual or otherwise, during the period for which the promissory note is posted.

**Irrevocable Standby Letters of Credit must:**

- be dated;
- be issued by a Bank;
- be on the Bank's letterhead;
- be issued in accordance with the International Chamber of Commerce (ICC) International Standby Practices - ISP98;
- state the country of expiration is Canada;
- be executed by an authorized signing officer of the bank;
- be payable to the Receiver General for Canada;
- have the beneficiary named as the C-NLOPB or the CNSOPB, as appropriate;
- be explicit in agreeing to pay on demand the sum named in the letter;
- be explicit as to the address of the branch where the irrevocable standby letter(s) of credit may be presented (in Halifax, Nova Scotia, St. John's, Newfoundland and Labrador, or elsewhere as required by the issuing Bank)
- refer to the Call for Bids and parcel number, appropriate licence, or other conditions, as appropriate, which give rise to the requirement to post Financial Security Obligations; and
- be deemed to be automatically renewed without amendment for one year, unless at least 120 days prior to such date, the beneficiary is notified.

**Irrevocable Standby Letters of Credit must not:**

- have a final expiry that is less than 180 days following expiry of the period for which the security is posted; and
- impose restrictions on the manner of endorsement by persons or agencies who may present them for payment on behalf of the Receiver General for Canada.

### **SECTION 3: ADMINISTRATIVE PROCEDURES FOR LICENCE DEPOSITS AND DRILLING DEPOSITS**

#### **Licence Deposits**

Licence Deposits are a Financial Security Requirement, paid in Cash, that is intended to incent exploration activity by allowing the Interest Holder of an Exploration Licence issued by the CNSOPB to delay the posting of the Work Commitment Deposit for a specified period of time within Period 1. It can be established as a set nominal amount or as a percentage of the Work Expenditure Bid.

Interest Holders of an Exploration Licence may each submit a Financial Instrument representing their proportionate share of the required Licence Deposit. The Interest Holders must designate a representative who will be responsible for collecting and submitting the collective instruments.

Upon receipt, the Board may forward the Licence Deposit to OPMD accompanied by appropriate reference documentation. OPMD will acknowledge receipt of the Licence Deposit. OPMD will notify the respective Board upon receipt when a Licence Deposit is sent directly to the Receiver General for Canada by an Interest Holder.

If the Interest Holder of an Exploration Licence posts the Work Commitment Deposit as specified, the Board will notify OPMD that the Interest Holder's obligations were met. OPMD will return the Licence Deposit to the Interest Holder via the Board.

If the Work Commitment Deposit is not posted, the Licence Deposit will be forfeited to the Government of Canada. Forfeited amounts are then classified as revenues payable to the Receiver General for Canada and are deposited into the Consolidated Revenue Fund.

Amounts equal to any forfeited amounts are subsequently credited to the Nova Scotia Offshore Revenue Account, for transfer to the respective province.

The Custody and Safeguarding of Licence Deposits, Mailing Procedures and Assignment of Responsibilities, with one exception, are the same as for Work Commitment Deposits as outlined in sections 2.2, 2.3, and 2.4. The exception is that Promissory Notes and Bank Letters of Guarantee or Irrevocable Standby Letters of Credit, are not accepted.

## **Drilling Deposits**

Drilling Deposits are also intended to incent exploration activity and enable an Interest Holder of an Exploration Licence who has not drilled an exploration well in Period 1 to extend Period 1 as provided for in the terms and conditions of the Exploration Licence. The required amounts of Drilling Deposits are specified in the Exploration Licence.

Interest Holders of an Exploration Licence may each submit a separate Financial Instrument, representing their proportionate share of the required Drilling Deposit. The Interest Holders of an Exploration Licence must designate a representative who will be responsible for collecting and submitting the collective instruments.

Upon receipt, the Board may forward a Cash Drilling Deposit to OPMD accompanied by appropriate reference documentation. OPMD will acknowledge receipt of the Deposit. OPMD will notify the respective Board upon receipt when a Drilling Deposit is sent directly to the Receiver General for Canada by an Interest Holder.

If the Interest Holder of an Exploration Licence drills an exploration well during the extension, the Board will notify OPMD that the Interest Holder's obligations were met. OPMD will return Cash Drilling Deposit(s) to the Interest Holder(s) via the Boards.

If obligations are not met, the Drilling Deposit is forfeited. Forfeited amounts are then classified as revenues payable to the Receiver General for Canada and are deposited into the Consolidated Revenue Fund.

Amounts equal to any forfeited amounts are subsequently credited to the Nova Scotia Offshore Revenue Account or the Newfoundland and Labrador Offshore Petroleum Resource Revenue Fund, as appropriate, for transfer to the respective province.

No Drilling Deposit shall be accepted until the Financial Instrument in respect of any outstanding Work Commitment Deposit is amended such that its duration is consistent with the extension time for Period I (i.e. the new financial expiry date must be 180 days after the revised Period I expiry date).

The Custody and Safeguarding of Drilling Deposits, Mailing Procedures, Assignment of Responsibilities, and Criteria for Promissory Notes, Bank Letters of Guarantee and Irrevocable Standby Letters of Credit are the same as for Work Commitment Deposits as outlined in Subsections 2.2, 2.3, 2.4 and 2.5.

The annual audit of the Boards by external auditors shall include an audit of all Financial Security Requirements related to Drilling Deposits.

#### **SECTION 4: ADMINISTRATIVE PROCEDURES FOR RENTAL DEPOSITS**

Rental Deposits are also intended to incent exploration activity and are payable in Cash. They apply to Period 2 of the Exploration Licence and are charged at a specified, escalating rate per hectare of the acreage of the Exploration Licence as of the anniversary date of the licence.

Interest Holders of an Exploration Licence may each submit Rental Deposits representing their proportionate share of the required amount. The Interest Holders must designate a representative who will be responsible for collecting and submitting all required Rental Deposits.

Upon receipt, the Board may forward the Rental Deposit to OPMD accompanied by appropriate reference documentation. OPMD will acknowledge receipt of the Deposit. OPMD will notify the respective Board upon receipt when a Rental Deposit is sent directly to the Receiver General for Canada by an Interest Holder.

Rental Deposits are refunded in accordance with the terms and conditions of the Exploration Licence. At the end of each rental year of Period 2, any Rental Deposit that is not refunded to the Interest Holder is forfeited to the Receiver General for Canada. Forfeited amounts are then classified as revenues payable to the Receiver General for Canada and are deposited into the Consolidated Revenue Fund.

Amounts equal to any forfeited amounts are credited to the Nova Scotia Offshore Revenue Account or the Newfoundland and Labrador Offshore Petroleum Resource Revenue Fund, as appropriate, for transfer to the respective province.

The Custody and Safeguarding of Rental Deposits, Mailing Procedures and Assignment of Responsibilities are, with one exception, the same as for Work Expenditure Bid as outlined in sections 2.2, 2.3, and 2.4. The exception is that Promissory Notes and Bank Letters of Guarantee or Irrevocable Standby Letters of Credit, are not accepted for Rental Deposits.

**ANNEX 1**

**GUIDELINES FOR LETTERS TO NRCAN REQUESTING APPROVAL  
TO RELEASE FINANCIAL INSTRUMENTS**

The incoming request for the release of any Financial Security Requirement should clearly identify:

- the Exploration Licence (EL) number
- the EL holder
- reason for release of Financial Instrument (confirmation of work commitment expenditures, forfeiture, etc.)
- the amount of the original Financial Security Requirement
- the amount of Financial Security Requirement being released
- any other pertinent details in relation to the whole/portion of the Financial Security Requirement being released

Boards will confirm completion of work commitment expenditures or drilling activity or that a forfeiture cheque has been deposited to the account of the Receiver General for Canada, as the case may be, before seeking authorization from the NRCan delegated authority to authorize the Boards to release a Financial Security Requirement and return Applicable Financial Instruments.

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