

ANNEX G

SEMI-ANNUAL REPORTING FOR CERTAIN VENTURE ISSUERS ON A VOLUNTARY BASIS

How will the market receive adequate ongoing disclosure under the Proposed Semi-Annual Reporting Framework?

Ensuring adequate and timely disclosure is central to the Proposed Semi-Annual Reporting Framework. The Proposed Semi-Annual Reporting Framework would add a new requirement that an issuer files alternative disclosure within 60 days of the end of the issuer's interim period for which financial statements and MD&A would not be filed to

- provide an update on the issuer's operations, major operating milestones, commitments, unexpected events, risks that are likely to materially affect operations going forward, and explain any significant changes from previous disclosures regarding the use of proceeds from any financing, and
- disclose information and events that are material, including those related to the following:
 - the issue or cancellation of any securities;
 - new or modified litigation or liabilities;
 - new or modified financing arrangements;
 - defaults under financing arrangements;
 - changes to the financial condition of the issuer;
 - the inability to pay debts as they become due;
 - related party transactions.

Other existing regulatory and exchange requirements include

- the material change reporting requirements under Part 7 of NI 51-102 to immediately issue and file a news release disclosing a material change,
- the business acquisition report requirements under Part 8 of NI 51-102 for significant acquisitions, and
- for listed venture issuers, the timely disclosure requirements of the venture exchanges, including TSXV Policy 3.3 – *Timely Disclosure* and CSE Policy 5 *Timely Disclosure, Trading Halts and Posting Requirements*.

1. Continuous Disclosure – NI 51-102

Policy area	How semi-annual reporting would be implemented on a voluntary basis
Filing of interim disclosure statement – interim financial reports and interim MD&A (Part 3A)	<i>A venture issuer could elect to only file an interim disclosure statement for its interim period ending six months before the end of the financial year¹.</i>
Alternative disclosure for interim periods where it does not file an interim disclosure statement (new)	<p><i>A venture issuer using semi-annual reporting must, for each interim period where the issuer does not file an interim disclosure statement, file alternative disclosure in a news release to</i></p> <ul style="list-style-type: none"> • <i>provide updates on the issuer’s operations, major operating milestones, commitments, unexpected events, risks that are likely to materially affect operations going forward, and explain any significant changes from previous disclosures regarding the use of proceeds, and</i> • <i>disclose information and events that are material, including those related to:</i> <ul style="list-style-type: none"> ○ <i>the issue or cancellation of any securities;</i> ○ <i>new or modified litigation or liabilities;</i> ○ <i>new or modified financing arrangements;</i> ○ <i>defaults under financing arrangements;</i> ○ <i>changes to the financial condition of the issuer;</i> ○ <i>the inability to pay debts as they become due;</i> ○ <i>related party transactions.</i>
Filing of financial statements after becoming a reporting issuer (section 4.7)	<i>A venture issuer can elect to only file an interim financial report for its interim period ending six months before the end of the financial year if it will be taking advantage of semi-annual reporting when it becomes a reporting issuer.</i>
Impact on change in year-end requirements (section 4.8)	<i>A venture issuer can change its year-end and retain the ability to use semi-annual reporting on a voluntary basis.</i>
Impact on financial statements of a reverse takeover acquirer for periods before a reverse takeover (section 4.10)	<i>Under a reverse take-over, if the reverse take-over acquirer will qualify as a venture issuer and intends to use semi-annual reporting upon becoming a reporting issuer then it can elect to use the semi-annual reporting provisions when applying this section.</i>
Inclusion of semi-annual interim financial report for an acquired business required to be filed in a BAR (subsection 8.4(3))	<i>A venture issuer using semi-annual reporting that has made a significant acquisition can elect to only include an interim financial report for an acquired business for an interim period</i>

¹ The phrase “interim period ending six months before the end of the financial year” is used to describe the period covered by semi-annual reporting.

Policy area	How semi-annual reporting would be implemented on a voluntary basis
	<i>ending six months before the end of the financial year of the acquired business.</i>
Allowing an earlier interim financial report for an acquired business required to be filed in a BAR (subsection 8.4(4))	<i>A venture issuer using semi-annual reporting that has made a significant acquisition can elect to only include an interim financial report for an acquired business for an interim period ending six months before the end of the financial year of the acquired business.</i>
Additional Filing Requirement - Change of status report – a venture issuer voluntarily ‘opts into/out of’ semi-annual reporting (Part 11)	<i>A venture issuer must file a notice promptly after either opting into or out of semi-annual reporting.</i>
Transition provisions (Part 14)	<i>Transition would have the following guiding principles</i> <i>(a) eligible issuers must file a notice advising the market when it enters or exits the semi-annual reporting regime,</i> <i>(b) opting in/out must be done at the beginning of a fiscal year and that the commitment would be for at least one complete year unless an issuer becomes ineligible due to becoming a SEC issuer or ceasing to be a venture issuer, and</i> <i>(c) if an issuer loses eligibility during a year under (b), it must file all applicable interim filings (Q1 and Q3) that were not otherwise filed prior to the date that it no longer qualified for semi-annual reporting.</i>

2. CEO/CFO Certification – NI 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings

Policy area	How semi-annual reporting would be implemented on a voluntary basis
Certification of interim filing	<i>A venture issuer using semi-annual reporting would be required to certify as to their interim disclosure statement for the semi-annual reporting period. The venture issuer would not be required to file an interim certificate as to their alternative disclosure in a news release.</i>

3. Acceptable Accounting Principles and Auditing Standards – NI 52-107 Acceptable Accounting Principles and Auditing Standards

No substantive changes are required to accommodate semi-annual reporting.

4. IPO Offerings and Secondary Offerings using a Long Form Prospectus - NI 41-101 General Prospectus Requirements

Policy area	How semi-annual reporting would be implemented on a voluntary basis
Filing of Interim Financial Report and interim MD&A	<i>Allow a venture issuer to elect to include only an interim financial report and interim MD&A for its most recent interim period ending six months before the end of the financial year, if applicable, if it</i> <ul style="list-style-type: none"> <i>(a) qualifies as an IPO venture issuer and intends to use semi-annual reporting upon becoming a reporting issuer, or</i> <i>(b) is already a reporting issuer and has opted in to semi-annual reporting.</i>
Ensure that the guidance related to recent and proposed acquisitions is updated to reflect the possibility that an issuer may use semi-annual reporting for a proposed acquisition	<i>Update guidance related to recent and proposed acquisitions to reflect the possibility that a venture issuer may use semi-annual reporting for a proposed acquisition.</i>

5. Secondary Offerings using a Short Form Prospectus - NI 44-101 Short Form Prospectus Distributions, NI 44-102 Shelf Distributions and NI 44-103 Post-Receipt Pricing

Policy area	How semi-annual reporting would be implemented on a voluntary basis
Use of short form prospectuses	<i>A venture issuer using semi-annual reporting would be eligible to use the short form offering system. The current short form prospectus regime can accommodate a change to allow semi-annual reporting on a voluntary basis.</i>
Ensure that the alternative disclosure in a news release required under the continuous disclosure regime is incorporated by reference in a short form prospectus	<i>Update the requirement to incorporate by reference any additional filing (i.e. quarterly update by news release).</i>
Ensure that the guidance related to recent and proposed acquisitions is updated to reflect the possibility that an issuer may use semi-annual reporting for a proposed acquisition	<i>Update guidance related to recent and proposed acquisitions to reflect the possibility that a venture issuer may use semi-annual reporting for a proposed acquisition.</i>

**6. Exempt Distributions – Offering Memorandum for Non-qualifying issuers - Form 45-106F2
Offering Memorandum for Non-Qualifying Issuers**

Policy area	How semi-annual reporting would be implemented on a voluntary basis
Filing of an Interim Financial Report	<p><i>A venture issuer can elect to only include an interim financial report for its most recent interim period ending six months before the end of the financial year, if applicable, if it:</i></p> <ul style="list-style-type: none"> <i>(a) qualifies as an IPO venture issuer and intends to use semi-annual reporting upon becoming a reporting issuer; or</i> <i>(b) is already a reporting issuer and has opted in to semi-annual reporting.</i>
Ensure that the guidance related to recent and proposed acquisitions is updated to reflect the possibility that an issuer may use semi-annual reporting for a proposed acquisition	<p><i>Update the guidance related to recent and proposed acquisitions to reflect the possibility that a venture issuer may use semi-annual reporting for a proposed acquisition.</i></p>

**7. Exempt Distributions – Offering Memorandum for Qualifying issuers² Form 45-106F3
Offering Memorandum for Qualifying Issuers**

Note: This form relies on NI 51-102 for determination of what is required to be incorporated by reference. Therefore, changes to NI 51-102 above will consequentially affect the disclosure required in an offering memorandum for qualifying issuers.

8. Other continuous disclosure documents reviewed – no expected impact from the Proposed Semi-Annual Reporting Framework

We do not think any of the following instruments are affected by the proposal:

- NI 43-101 *Standards of Disclosure for Mineral Projects*;
- NI 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- NP 58-201 *Corporate Governance Guidelines*;
- MI 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;
- NI 52-108 *Auditor Oversight*;
- NI 52-110 *Audit Committees*.

² “qualifying issuer” is defined under NI 45-106 to mean a reporting issuer in a jurisdiction of Canada that is a SEDAR filer, has filed all documents required to be filed under the securities legislation of that jurisdiction, and has filed a current AIF.