

## Annex B

### Proposed Annotated Form 51-102F1 *Annual Disclosure Statement*

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## GENERAL INSTRUCTIONS

### General Instructions Annotation Note #1

#### *Description of proposed change*

We propose to relocate and reorganize applicable general instructions for the current Form 51-102F1 *Management's Discussion & Analysis (Current MD&A Form)* and the current Form 51-102F2 *Annual Information Form (Current AIF Form)* as general instructions for the annual disclosure statement form (the **Form**).

#### *Rationale*

The Current MD&A Form and the Current AIF Form contain general instructions which are applicable to the annual disclosure statement. In some cases, the instructions are duplicative. Relocating and reorganizing these instructions as general instructions for this Form would allow for consolidation or elimination of overlapping instructions.

- (1) *An annual disclosure statement is required to be filed annually under Part 3A of National Instrument 51-102 Continuous Disclosure Obligations. The annual disclosure statement is intended to provide a comprehensive overview of your company's business, financial performance, financial condition and cash flows.*

*For a reporting issuer that is not a venture issuer, the annual disclosure statement is comprised of 3 parts:*

- *Part 1 – Annual financial statements*

*The annual financial statements required to be filed under section 4.1 of National Instrument 51-102 Continuous Disclosure Obligations.*

- *Part 2 – Management's discussion and analysis*

*A management's discussion and analysis (MD&A) relating to your company's annual financial statements required to be filed under sections 5.1 and 5.2 of National Instrument 51-102 Continuous Disclosure Obligations.*

- *Part 3 – Annual information form*

*An annual information form (AIF) required to be filed annually under section 6.1 of National Instrument 51-102 Continuous Disclosure Obligations.*

*For a reporting issuer that is a venture issuer, the annual disclosure statement is comprised of the following parts: Part 1 and Part 2, and Part 3 if the venture issuer voluntarily chooses to include that Part in the annual disclosure statement.*

- (2) *The word "company" is used in this Form for simplicity and readability of the Form. Wherever this Form uses the word "company", that term means an issuer, other than an investment fund issuer, regardless of the issuer's form of organization.*

- (3) *The disclosure in the annual disclosure statement is supplemented throughout the year by continuous disclosure filings including, for greater certainty, news releases, material change reports, business acquisition reports and interim disclosure statements. Disclose in your company's annual disclosure statement that additional information relating to your company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).*
- (4) *If a term is used but not defined in this Form or Part 1 of National Instrument 51-102 Continuous Disclosure Obligations, refer to National Instrument 14-101 Definitions.*
- (5) *This Form uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises.*
- (6) *This Form uses the term "financial condition". Financial condition reflects the overall health of your company and includes its financial position (as shown on the statement of financial position) and other factors that may affect its liquidity, capital resources and solvency.*
- (7) *This Form uses the term "financial performance". Financial performance reflects the level of performance of your company over a specified period of time, expressed in terms of profit or loss and other comprehensive income during that period.*

**General Instructions Annotation Note #2 for Instruction (7)**

*Description of proposed change*

We propose to add this instruction to provide a description of the term "financial performance".

*Rationale*

This is to provide clarity for issuers when they are assessing the nature and extent of the disclosure required by this Form.

- (8) *Your company is not required to repeat information disclosed elsewhere in the annual disclosure statement. If disclosure in the annual disclosure statement refers explicitly or implicitly to disclosure in another section of the annual disclosure statement, include a reference to the other disclosure. Repeat the information disclosed in the financial statements to which the MD&A relates if it assists with an understanding of the information included in the MD&A.*

**General Instructions Annotation Note #3 for Instruction (8)**

*Description of proposed change*

We propose to add the second and third sentences of this instruction.

*Rationale*

This is to clarify that while repeating information disclosed elsewhere is not necessary, it is important to include a reference to the other disclosure so that investors can easily locate it and to repeat information from the financial statements in the MD&A if it assists with an understanding of the MD&A disclosure.

- (9) *Your company may use innovative approaches to disclosure (including, for greater certainty, use of hyperlinks to reference a disclosure in the annual disclosure statement and creative use of charts, tables and graphs) in a manner consistent with the requirements of this Form and other applicable requirements of securities legislation.*

**General Instructions Annotation Note #4 for Instruction (9)**

*Description of proposed change*

We propose to add this instruction and add guidance in Companion Policy 51-102CP *Continuous Disclosure Obligations (Companion Policy)* regarding what we mean by “innovative”.

*Rationale*

This is to clarify that issuers may use innovative disclosure approaches consistent with CSA formatting requirements (for example, while embedded video is not acceptable, hyperlinks and creative use of charts, tables and graphs are encouraged if they assist with readability) to prepare disclosure that reduces burden for them and is most meaningful for their business.

- (10) *Your company may include a table of contents for the annual disclosure statement. The table of contents may be a hyperlinked version.*

**General Instructions Annotation Note #5 for Instruction (10)**

*Description of proposed change*

We propose to add this instruction.

*Rationale*

This is to encourage the use of tools to facilitate navigation, searchability and online readability.

**GENERAL INSTRUCTIONS FOR PART 2 AND PART 3**

- (11) *In preparing the information required under Part 2 and Part 3 of this Form, your company must take into account information available up to the date of filing so that the MD&A and AIF are not misleading when filed.*
- (12) *Focus your company’s disclosure on material information. Your company is not required to disclose information that is not material. You must exercise judgment when you determine whether information is material in respect of your company. Would a reasonable investor’s decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material.*

**General Instructions Annotation Note #6 for Instruction (12)**

*Description of proposed change*

We propose to generally remove materiality qualifiers included in specific disclosure requirements in the Current MD&A Form and the Current AIF Form such as “material”, “significant”, “critical”, “major” and “fundamental” and have all disclosure requirements in the annual disclosure statement subject to the qualification that issuers are to focus on material information as set out in instruction (12). In some

circumstances, we consider all disclosure required under a particular section to be material. See for example section 24 and instruction (1) to that section relating to cease trade orders, bankruptcies, penalties and sanctions. We propose to retain materiality qualifiers in a disclosure requirement where the materiality qualifier is part of a defined term (such as significant acquisition) or reflects a term used in our prospectus rules.

*Rationale*

Currently, there are materiality qualifiers in certain disclosure requirements in the Current MD&A Form and the Current AIF Form, but not in others and the rationale for that is not always clear. In addition, as noted above, there are a variety of materiality qualifiers used and it is not always clear if the terms are to be interpreted differently. The proposed change is to reduce uncertainty resulting from the absence of a materiality qualifier in certain requirements and the use of a materiality qualifier other than “material” and to simplify requirements by generally using one materiality qualifier that all disclosure requirements are subject to.

- (13) *If your company has mineral projects, the disclosure must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, including, for greater certainty, the requirement that all scientific and technical disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person.*
- (14) *If your company has oil and gas activities, the disclosure must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*
- (15) *The numbering and ordering of sections included in Part 2 and Part 3 of this Form are intended as guidelines only. Your company is not required to include the numbering or follow the order of sections in Part 2 or Part 3 of this Form. Your company is not required to respond to any section in Part 2 or Part 3 of this Form that is inapplicable, and your company may omit negative answers.*
- (16) *Your company may incorporate information required to be included under Part 2 or Part 3 of this Form by referencing another document filed on its SEDAR profile, other than a prior MD&A or AIF (unless expressly permitted by this Form). If incorporating by reference, your company must clearly identify the document or any excerpt of it in the text that incorporates it. Unless your company has already filed under its SEDAR profile the referenced document or excerpt, including, for greater certainty, any documents incorporated by reference into the document or excerpt, your company must file it with the annual disclosure statement or standalone AIF, as applicable. Your company must also disclose that the referenced document is on SEDAR at [www.sedar.com](http://www.sedar.com).*

**PART 1**  
**ANNUAL FINANCIAL STATEMENTS**

**Annual financial statements**

1. Include annual financial statements meeting the requirements of Part 4 of National Instrument 51-102 *Continuous Disclosure Obligations*.

**PART 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MD&A Annotation Note #1**

*Description of proposed changes*

We propose to eliminate the following requirements and instructions in the Current MD&A Form:

- paragraph (o) *Available Prior Period Information* under Part 1,
- subsection 1.3(1) *Selected Annual Information* (i.e., financial data for the 3 most recently completed financial years) (inclusive of instructions (i) and (ii) to section 1.3 as these instructions relate specifically to subsection 1.3(1)),
- section 1.5 *Summary of Quarterly Results* (inclusive of instructions (i), (ii), (iv) and (v) to section 1.5 as these instructions relate specifically to section 1.5),
- section 1.8 *Off-Balance Sheet Arrangements*,
- section 1.12 *Critical Accounting Estimates*,
- section 1.13 *Changes in Accounting Policies including Initial Adoption*,
- section 1.14 *Financial Instruments and Other Instruments*, and
- subparagraph 1.15(b)(iii) *Other MD&A Requirements* (i.e., additional disclosure for reporting issuers with significant equity investees) (see MD&A Annotation Note #23 for further details).

*Rationale*

The above-noted requirements and instructions are duplicative of disclosure requirements under the accounting standards.

**GENERAL INSTRUCTIONS FOR PART 2**

- (1) *An MD&A under this Part is a narrative explanation, provided through the eyes of management, of how your company performed during the period covered by the financial statements, and of its financial condition and future prospects. The MD&A complements your company's financial statements but does not form part of them.*

*The objective of the MD&A is to supplement your company's overall financial disclosure by giving a balanced discussion of its financial condition, financial performance and cash flows, openly reporting bad news as well as good news. The MD&A must*

- (a) *help investors understand what the financial statements show and do not show, and*
- (b) *provide information about the quality and potential variability of your company's profit or loss and cash flows to assist investors in determining if past performance will likely be indicative of future performance.*

### **MD&A Annotation Note #2 for General Instruction (1)**

#### *Description of proposed change*

We propose to add the term “cash flows” to the second paragraph of this instruction and re-arrange the order of “financial performance and financial condition” to “financial condition, financial performance, and cash flows”.

#### *Rationale*

This is to allow for a complete and consistent presentation of the issuer’s financial disclosure requirements.

- (2) *If an acquisition is a reverse takeover, the MD&A must be based on the reverse takeover acquirer’s financial statements.*

#### **Date**

- 2. (1)** Specify the date of the annual MD&A.
- (2)** The date of the annual MD&A must be no earlier than the date of the auditor’s report on the annual financial statements to which the annual MD&A relates.

#### **Overall performance**

- 3. (1)** Provide a discussion of your company’s overall performance that is necessary to understand your company’s business, financial condition, financial performance and cash flows, including why changes have occurred or expected changes have not occurred, supported by an analysis of factors that caused these changes to occur or not to occur.

### **MD&A Annotation Note #3 for Section 3**

#### *Description of proposed changes*

1. We propose to consolidate section 1.2 *Overall Performance*, subsection 1.3(2) *Selected Annual Information*, section 1.4 *Discussion of Operations* (inclusive of instructions) and instruction (iii) to section 1.5 *Summary of Quarterly Results* of the Current MD&A Form into one section.
2. We also propose to eliminate subparagraph 1.2(b)(ii) of the Current MD&A Form relating to disclosure where there are legal or other restrictions on the flow of funds from one part of an issuer’s business to another.

#### *Rationale*

Proposed change #1 - Consolidation of these sections would allow for the streamlining and elimination of duplicative requirements (i.e., an overall discussion under section 1.2, an annual discussion under section 1.3, and a more focused discussion of current operations under section 1.4 of the Current MD&A Form). It would also allow issuers to refer to one section for overall performance disclosure requirements.

Proposed change #2 – Subparagraph 1.2(b)(ii) of the Current MD&A Form is duplicative of disclosure requirements under the accounting standards.

(2) Describe the business of your company and its reportable segments as that term is interpreted in the issuer’s GAAP, including

(a) its lines of business, products and services and principal markets,

**MD&A Annotation Note #4 for Subsection 3(2), Paragraph 3(2)(a) and Instruction (8) to Section 3**

*Description of proposed change*

We propose to add a requirement to provide a general description of the business, including its lines of business, products and services and principal markets. We also propose to add instruction (8) so that issuers concurrently filing an annual information form (AIF) will not be required to repeat this disclosure.

*Rationale*

While the requirement to provide a description of the business is new for venture issuers that do not currently file an AIF, we believe that an understanding of the issuer’s business is fundamental to understanding the issuer’s overall performance discussion.

(b) changes in the direction of your company’s business or other subdivisions (e.g., geographic areas, product lines) if they have affected your company’s financial condition, financial performance and cash flows or are reasonably likely to affect them in the future,

(c) legal, regulatory, industry and economic factors affecting its performance or operations, and

**MD&A Annotation Note #5 for Paragraph 3(2)(c)**

*Description of proposed change*

We propose to revise the requirement to add the words “legal” and “regulatory”.

*Rationale*

We are of the view that the requirement in paragraph 1.2(c) of the Current MD&A Form to describe industry and economic factors affecting an issuer’s performance is already broad enough to capture legal and regulatory factors. The additional language, however, would provide clarity.

(d) known trends, demands, commitments, events, risks or uncertainties that have affected its business, financial condition, financial performance and cash flows or are reasonably likely to affect them in the future.

(3) Discuss and analyze the financial condition, financial performance and cash flows of your company as a whole and for each reportable segment, for the most recently completed financial year compared to the prior year, including

**MD&A Annotation Note #6 for Subsection 3(3)***Description of proposed change*

We propose to add the words “compared to the prior year” to this requirement to clarify that the issuer’s discussion and analysis of the most recently completed year must include a comparison to the prior year.

*Rationale*

This is to clarify that the MD&A must provide an explanation of how the issuer performed during the period covered by the financial statements, including a comparison to the prior year. The clarification is to ensure issuers focus their discussion and analysis on why a change in a financial statement item year over year has occurred or an expected change has not occurred.

- (a) total revenue, including any changes caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services,
- (b) any other factors that caused changes in total revenue or gross profit,
- (c) cost of sales,
- (d) expenses,
- (e) unusual or infrequent events or transactions,
- (f) the effect of any discontinued operations, changes in accounting policies, significant acquisitions or dispositions, write-offs, abandonments or other similar actions on current operations, and
- (g) changes in its profit or loss, if not otherwise included in the discussion required by paragraphs (a) to (f).

**MD&A Annotation Note #7 for Paragraph 3(3)(g)***Description of proposed change*

We propose to add this requirement to discuss changes in the issuer’s profit or loss, if the discussion is not otherwise provided under subsection 3(3).

*Rationale*

With the proposed removal of subsection 1.3(1) of the Current MD&A Form (i.e., selected annual information relating to the 3 most recently completed financial years), the requirement to specifically disclose profit or loss from continuing operations and profit or loss in total and on a per-share and diluted per-share basis under paragraphs 1.3(1)(b) and (c) of the Current MD&A Form would also be eliminated. The proposed requirement to discuss changes in the issuer’s profit or loss (unless provided elsewhere) is to ensure that this important GAAP metric is sufficiently highlighted in an issuer’s MD&A.

- (4) If your company has not yet generated significant revenue, has projects or business activities that have not yet generated revenue or is changing its business model, describe each project, business activity or group of related business activities, including
- (a) your company’s plan, including, for greater certainty, any significant milestones and the status of the milestones relative to that plan,
  - (b) expenditures made and how these relate to anticipated timing and costs to advance to the next milestone of the plan, and
  - (c) whether your company plans to expend additional funds, including an estimate of costs and timing.

**MD&A Annotation Note #8 for Subsection 3(4)**

*Description of proposed changes*

1. We propose to revise the requirement in paragraph 1.4(d) of the Current MD&A Form to clarify that the discussion of an issuer’s “plan” must include a discussion of any significant milestones.
2. We propose to revise paragraph 1.4(d) of the Current MD&A Form to clarify that “issuers that have significant projects that have not yet generated revenue” includes:
  - issuers that have not yet generated significant revenue,
  - issuers that have significant projects or business activities that have not yet generated revenue, and
  - issuers changing their business model.

*Rationale*

Proposed change #1 - This is to clarify that a discussion of the issuer’s “plan” must also include a discussion of significant milestones for that plan.

Proposed change #2 - While we are of the view that the existing requirement to disclose “projects” should be viewed broadly, taking into account the issuer’s business as a whole or any new business venture, the term “project” may be applied too narrowly as an activity that has a beginning and end. This proposed change is to clarify our expectations, which are consistent with comments raised in continuous disclosure reviews (**CD Reviews**) and CSA Staff Notice 51-355 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2018 and March 31, 2017 (SN 51-355)* (disclosure deficiencies summarized in Appendix A of SN 51-355).

- (5) For products and services that are not fully developed or if the products are not at the commercial production stage, discuss
- (a) whether your company is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and
  - (b) to the extent not included in the disclosure required by subsection (4),

- (i) the timing and stage of research and development programs, and
- (ii) the additional steps required to reach commercial production and an estimate of costs and timing.

**MD&A Annotation Note #9 for Subsection 3(5) and Instruction (9) to Section 3**

*Description of proposed changes*

1. We propose to relocate research and development discussion requirements in subparagraph 5.1(1)(a)(iv) of the Current AIF Form as an MD&A requirement under this subsection.
2. We propose to add instruction (9) to section 3 so that subsection 3(5) of this Form does not apply to disclosure that is subject to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

*Rationale*

Proposed change #1 – This is for consolidation purposes as disclosure of similar information is required in the Current MD&A Form.

Proposed change #2 – Instruction (9) clarifies that this research and development discussion is not required for disclosure that is subject to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

- (6) For resource issuers with producing mines or mines under development, describe each mineral project on a property material to your company and identify any milestone, including, for greater certainty, mine expansion plans, productivity improvements, plans to develop a new deposit, or production decisions, and whether the milestone is based on a technical report filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.
- (7) Provide a comparison in tabular form of previous disclosure of how your company was going to use proceeds (other than working capital) from any financing, including an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones.

**INSTRUCTIONS**

- (1) *In discussing and analysing its overall performance, your company must not only disclose the amount of the change in a financial statement item from period to period. Your company must explain the nature and reason for the change to investors. Where the financial statements reflect material differences from period-to-period in one or more line items, including, for greater certainty, where material differences within a line item offset one another, describe the underlying reasons for these material differences in quantitative and qualitative terms. Your company must present qualitative and quantitative disclosure to support this analysis. In providing this analysis, it may be helpful to include a discussion of business drivers that management is utilizing in managing the business such as production, volumes sold, square footage, occupancy rates or number of subscribers.*

### **MD&A Annotation Note #10 for Instruction (1) to Section 3**

#### *Description of proposed change*

We propose to add this instruction to clarify that the issuer's discussion and analysis of overall performance:

- must be both quantitative and qualitative to support the analysis, and
- should, when helpful, present key drivers management is utilizing in managing the business.

#### *Rationale*

These additions are to assist issuers in preparing a narrative explanation of their overall performance. We are of the view that adding quantitative information to the narrative is necessary to an understanding of the changes reflected in the financial statements. It also encourages issuers that have identified key business drivers to incorporate those key business drivers that we believe will improve understandability and usability of such disclosure. This proposed instruction is consistent with comments raised in staff's CD Reviews and SN 51-355 as well as previous publications of the CSA Staff Notice *Continuous Disclosure Review Program Activities*.

- (2) *If your company believes that information from the face of the financial statements is helpful to investors in understanding its overall performance discussion, your company may present the information in a tabular form for readability. If a tabular presentation is included, it must be accompanied by an appropriate discussion and analysis of this data.*

### **MD&A Annotation Note #11 for Instruction (2) to Section 3**

#### *Description of proposed change*

We propose to add this instruction to provide issuers with an option to present information from the face of the financial statements in a tabular format.

#### *Rationale*

This is to encourage the use of tools to promote readability. We note that section 1.5 of the Companion Policy provides guidance on plain language, which includes the use of charts and tables as an example.

- (3) *The discussion and analysis of the financial condition, financial performance and cash flows by reportable segment is applicable only to the extent that information for each reportable segment is required to be disclosed under the issuer's GAAP.*
- (4) *The following factors may be relevant for your company's disclosure:*
- (a) *changes in customer buying patterns, including, for greater certainty, changes due to new technologies and changes in demographics;*
  - (b) *changes in selling practices, including, for greater certainty, changes due to new distribution arrangements or a reorganization of a direct sales force;*
  - (c) *changes in competition, including an assessment of your company's resources, strengths and weaknesses relative to those of its competitors;*

- (d) *the effect of exchange rates;*
  - (e) *the effect of inflation;*
  - (f) *changes in the relationship between costs and revenue, including, for greater certainty, changes in costs of labour or materials, price changes or inventory adjustments;*
  - (g) *changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;*
  - (h) *changes in production capacity, including, for greater certainty, changes due to plant closures and work stoppages;*
  - (i) *changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenue;*
  - (j) *changes in the terms and conditions of service contracts;*
  - (k) *progress in achieving previously announced milestones;*
  - (l) *for resource issuers with producing mines, changes to cash flows caused by changes in production throughput, head-grade, cut-off grade, and metallurgical recovery, or any expectation of future changes to cash flows caused by those factors; and*
  - (m) *if your company has a significant equity investee, the nature of the investment and its significance to your company.*
- (5) *Your company must include information for a period longer than 2 financial years if it is helpful in explaining a trend.*
- (6) *For purposes of subsections (4) and (6), your company must describe each mineral project on a property material to it by providing current information, including*
- (a) *project location, mineral title, and your company's obligations to retain its interest,*
  - (b) *mineral commodities of interest,*
  - (c) *general geological setting,*
  - (d) *exploration and drilling results to date,*
  - (e) *mineral resource or reserve estimates as at the end of your company's financial year, and*
  - (f) *mining and processing operations.*

### **MD&A Annotation Note #12 for Instruction (6) to Section 3**

#### *Description of proposed change*

We propose to add this instruction to provide issuers with guidance on the level of disclosure required in respect of an issuer's mineral project on a property material to it.

#### *Rationale*

This proposed instruction is consistent with comments raised in staff's CD Reviews and SN 51-355 as well as previous publications of the CSA Staff Notice *Continuous Disclosure Review Program Activities*.

- (7) *For purposes of subsection (4), discuss factors that have affected the value of the project such as a change in commodity prices, land use or political or environmental issues.*
- (8) *Your company is not required to include the following under this Part if your company is disclosing the required information under Part 3 of this Form:*
  - (a) *the description of its business and its reportable segments under subsection (2);*
  - (b) *the description of each mineral project on a property material to it under subsection (4);*
  - (c) *the discussion of its producing mines or mines under development under subsection (6).*
- (9) *Subsection (5) does not apply to disclosure that is subject to requirements in National Instrument 43-101 Standards of Disclosure for Mineral Projects or National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*

#### **Fourth quarter**

- 4. Discuss fourth quarter events or items that affected your company's financial condition, financial performance or cash flows, including, for greater certainty, year-end and other adjustments, seasonal aspects of its business, discontinued operations, significant acquisitions or dispositions and changes in the direction of its business.

### **MD&A Annotation Note #13 for Section 4**

#### *Description of proposed change*

We propose to relocate the fourth quarter disclosure requirement (such that it is presented directly after the overall performance disclosure requirements) and add "discontinued operations, significant acquisitions or dispositions and changes in the direction of your business" to the listed events and items an issuer should discuss when analyzing fourth quarter events.

#### *Rationale*

The relocation of the fourth quarter discussion requirement is to allow for a more logical flow of the requirements.

The addition of events and items to this section is for consistency with the list of factors included in the overall performance discussion in section 3 of this Form, which aligns with subsection 1.3(2) of the Current MD&A Form.

## Liquidity and capital resources

- 5. (1)** The liquidity and capital resources discussion must address your company's ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to meet existing known or reasonably likely future cash requirements, to maintain its capacity, to meet its planned growth or to fund development activities.

### **MD&A Annotation Note #14 for Section 5**

#### *Description of proposed change*

We propose to consolidate sections 1.6 *Liquidity* and 1.7 *Capital Resources* of the Current MD&A Form into one section and rearrange the disclosure requirements into the following categories:

1. cash requirements,
2. sources of funds,
3. expected fluctuations in liquidity and capital resources, and
4. management of liquidity risks.

#### *Rationale*

There are some duplicative requirements in sections 1.6 and 1.7 of the Current MD&A Form. Given that liquidity and capital resources are integrated, and many issuers combine their discussions of these items, consolidating and re-arranging the requirements would facilitate more streamlined disclosures.

- (2)** Discuss your company's cash requirements, including, for greater certainty,
- (a) its working capital requirements, including whether it has or expects to have a working capital deficiency,
  - (b) commitments, including, for greater certainty, commitments for capital expenditures, as of the date of the financial statements,
  - (c) expenditures not yet committed but required to maintain its capacity, to meet its planned growth or to fund development activities, and
  - (d) the nature and purpose of the commitments and expenditures referred to in paragraphs (b) and (c).
- (3)** Discuss your company's expected sources of funds available for the uses described in subsection (2), taking into account
- (a) available capital resources,
  - (b) sources of financing arranged but not yet used, and
  - (c) any impact to expected sources of funds described in paragraphs (a) and (b) resulting from any legal or practical restrictions on the ability of its subsidiaries to transfer funds to it.

- (4) Discuss the expected fluctuations in your company's liquidity and capital resources, taking into account
- (a) known trends, demands, commitments, contingencies, events or uncertainties,
  - (b) changes in the mix and relative cost of capital resources, and
  - (c) statement of financial position conditions or profit or loss attributable to owners of the parent or cash flow items that may affect its liquidity.
- (5) Discuss how your company manages its liquidity risks in relation to items set out in subsections (2) to (4), including
- (a) its ability to meet obligations as they become due and its plans for remedying any deficiency in the sources of funds available for the uses described in subsection (2),

**MD&A Annotation Note #15 for Paragraph 5(5)(a)**

*Description of proposed change*

Paragraph 1.6(e) of the Current MD&A Form requires a discussion of the issuer's ability to meet obligations when the issuer has or expects to have a working capital deficiency and how the issuer expects to remedy the deficiency. We propose to expand the requirement to include issuers that have an overall deficiency in the quantity of funds available to fund cash requirements.

*Rationale*

Broadening the requirement to apply to issuers that have a deficiency in the sources of funds available (versus a narrower consideration of working capital deficiency) would provide clarity and is consistent with the requirement in paragraph 1.6(a) of the Current MD&A Form to provide a discussion of the issuer's ability to generate sufficient amounts of cash and cash equivalents in the short term and the long term, to maintain the issuer's capacity, to meet planned growth or to fund development activities.

This proposed change is consistent with comments raised in staff's CD Reviews where there are concerns with an issuer's financial condition.

- (b) qualitative and quantitative disclosure of any debt covenants to which it is subject, including, for greater certainty, actual ratios or amounts, and

**MD&A Annotation Note #16 for Paragraph 5(5)(b)**

*Description of proposed change*

We propose to add this requirement to provide qualitative and quantitative disclosure of any debt covenants to which the issuer is subject.

*Rationale*

The proposed addition is to provide clarity on staff's expectation for disclosure related to debt covenants.

- (c) defaults or arrears or risk of defaults or arrears on
  - (i) distributions or dividend payments, lease payments, interest or principal payment on debt,
  - (ii) debt covenants, and
  - (iii) redemption or retraction or sinking fund payments, and
- (d) how it intends to cure the default or arrears or address the risk set out in paragraph (c).

#### *INSTRUCTIONS*

- (1) *In discussing and analysing your company's liquidity and capital resources, your company must present qualitative and quantitative disclosure to support this analysis.*

#### **MD&A Annotation Note #17 for Instruction (1) to Section 5**

##### *Description of proposed change*

We propose to add this instruction to clarify that the issuer's discussion of liquidity and capital resources must be both quantitative and qualitative to support the analysis.

##### *Rationale*

This is to clarify that quantitative information is necessary for an understanding of the changes in liquidity and capital resources. This proposed instruction is consistent with comments raised in staff's CD Reviews and previous publications of the CSA Staff Notice *Continuous Disclosure Review Program Activities*.

- (2) *Working capital requirements are the amount of funds required by your company to meet its short-term cash requirements, which may include funds required for working capital obligations and those required to fund operating activities and other business-related expenses in the short-term. Examples of working capital requirements may include situations where your company must maintain inventory to meet customers' delivery requirements or any situations involving extended payment terms.*

#### **MD&A Annotation Note #18 for Instruction (2) to Section 5**

##### *Description of proposed change*

We propose to add the first sentence of this instruction to clarify what "working capital requirements" mean.

##### *Rationale*

This proposed addition draws on the concepts introduced in subsection 4.3(1) of Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements (41-101CP)*, which provision encourages disclosure of funding of any anticipated negative cash flow from operating activities in prospectuses. The proposed addition would provide clarity and is consistent with comments raised in staff's CD Reviews where concerns arise with an issuer's financial condition.

- (3) *In discussing your company's commitments, your company may include a tabular presentation by type, including timing and amounts of payments required to meet these commitments. The tabular presentation may be accompanied by footnotes to describe provisions that create, increase or accelerate commitments. The disclosure must contain all details necessary for an understanding of the timing and amount of your company's commitments.*

**MD&A Annotation Note #19 for Instruction (3) to Section 5**

*Description of proposed change*

We propose to revise instruction (iv) to section 1.6 of the Current MD&A Form to remove the contractual obligations table requirement for non-venture issuers and to encourage all issuers to present their analysis of commitments in tabular form.

*Rationale*

The information provided in a contractual obligations table is broadly duplicative of disclosure requirements under the accounting standards. While investors would have access to this information in the financial statements and the proposed liquidity and capital resources disclosure requirements, the presentation of information in tabular form would allow investors to better understand the timing and amount required to meet specified commitments, especially for an issuer that has a significant number of commitments. Issuers would still maintain the flexibility to prepare the information in a manner that best presents the maturity analysis.

- (4) *In discussing your company's cash requirements under subsection (2), identify and quantify exploration and development, or research and development expenditures required to maintain properties or agreements in good standing.*
- (5) *Capital resources are financing resources available to your company and may include cash from operating activities, debt, equity, off-balance sheet financing arrangements and any other financing arrangements that it reasonably considers will provide financial resources. If your company anticipates additional funds from other sources of financing that it has arranged but not yet used, describe whether those funds are firm or contingent. If the funds are contingent, describe the nature of the contingency.*

**MD&A Annotation Note #20 for Instruction (5) to Section 5**

*Description of proposed change*

We propose to expand this instruction to clarify that an issuer that anticipates additional funds from other sources of financing it has arranged but not yet used must describe whether those funds are firm or contingent and, if the funds are contingent, describe the nature of the contingency.

*Rationale*

Paragraph 1.7(c) and instruction (i) to section 1.6 of the Current MD&A Form require an analysis of the sources of financing that the issuer has arranged but not used and a description of the circumstances that could affect sources of funding that are reasonably likely to occur. The proposed instruction would provide clarity on this requirement and is consistent with the concepts in subsection 4.2(3) of 41-101CP which encourages similar disclosure in prospectuses.

- (6) *Examples of circumstances that may affect your company's sources of funding include market or commodity price changes, economic downturns, defaults on guarantees and contractions of operations.*
- (7) *In discussing trends or expected fluctuations in your company's liquidity and liquidity risks in relation to items set out in subsections (2) to (4), your company may include:*
- (a) *provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment, such as provisions linked to credit rating, profit or loss, cash flows or share price, and*
  - (b) *circumstances that could impair its ability to undertake a transaction considered essential to operations, such as the inability to maintain an investment grade credit rating, earnings per-share, cash flows or share price.*
- (8) *To the extent a deficiency in the quantity of funds available to fund your company's cash requirements is identified, discuss how the available capital resources will be used, explaining how it intends to meet its cash requirements and maintain operations, what business objectives your company intends to accomplish as well as the priority of how the capital resources will be used. If your company intends to rely on other sources of financing in these situations, disclose that fact and an assessment of whether this financing will continue to be available and on what terms, and the impact of raising this amount on its liquidity, operations, capital resources and solvency.*

#### **MD&A Annotation Note #21 for Instruction (8) to Section 5**

##### *Description of proposed change*

We propose to add this instruction to clarify that if there is a deficiency in the quantity of funds available to fund the issuer's cash requirements, it is important to include a discussion of the business objectives that the issuer intends to accomplish and the priority of how the capital resources will be used to allow investors to make an informed investment decision.

##### *Rationale*

The proposed instruction is consistent with the concepts in subsection 4.2(3) of 41-101CP, which provision encourages similar disclosure in prospectuses. It is also consistent with CD Review comments when there are concerns with an issuer's financial condition.

#### **Transactions between related parties**

- 6. (1)** Discuss all transactions between related parties as defined by the issuer's GAAP, including both qualitative and quantitative characteristics that are necessary for an understanding of the transaction's business purpose and economic substance.
- (2)** In your company's discussion under subsection (1), include
- (a) the identity of the related persons or entities,
  - (b) the nature of the related party relationship,
  - (c) the business purpose of the transaction,

- (d) the recorded amount of the transaction and a description of the measurement basis used, and
- (e) any ongoing contractual or other commitments resulting from the transaction.

#### **MD&A Annotation Note #22 for Section 6**

##### *Description of proposed change*

We propose to combine the instructions and the requirements under section 1.9 of the Current MD&A Form into one section.

##### *Rationale*

The accounting standards have some overlap with the MD&A but do not sufficiently address all of the MD&A requirements. A frequent observation is that issuers simply repeat the financial statement related party note without addressing the full requirements in the MD&A. The proposed section 6 would set out all MD&A requirements for related party transactions in one section and provide clarity.

#### **Proposed transactions**

- 7. (1)** If senior management has made a decision to proceed with a proposed asset or business acquisition or disposition, and senior management believes that confirmation of the decision by the board of directors is probable, discuss the expected effect of the proposed transaction on your company's financial condition, financial performance and cash flows.
- (2)** For a proposed transaction identified in subsection (1), discuss the status of any required shareholder or regulatory approvals.

#### **INSTRUCTION**

*Your company is not required to disclose this information if it has filed a Form 51-102F3 Material Change Report under section 7.1 of National Instrument 51-102 Continuous Disclosure Obligations regarding the transaction on a confidential basis and that report is confidential at the time the annual disclosure statement is filed.*

#### **Additional disclosure for venture issuers without significant revenue**

- 8. (1)** If your company is a venture issuer that has not had significant revenue from operations in either of its last 2 financial years, disclose, for its 2 most recently completed financial years, a breakdown of the components of
  - (a) exploration and evaluation assets,
  - (b) exploration and evaluation expenditures,
  - (c) expensed research and development costs,
  - (d) intangible assets arising from development,
  - (e) general and administration expenses, and

- (f) any costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (e).
- (2) If your company is subject to subsection (1) and its business primarily involves mining exploration and development, present the analysis of exploration and evaluation assets and expenditures in paragraphs (1)(a) and (1)(b) on a property-by-property basis.

#### **Disclosure of outstanding share data**

9. (1) Disclose the designation and number or principal amount of
- (a) each class and series of voting or equity securities of your company for which there are securities outstanding,
  - (b) each class and series of securities of your company for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities of your company, and
  - (c) subject to paragraph (b), each class and series of voting or equity securities of your company that are issuable on the conversion, exercise or exchange of outstanding securities of your company.
- (2) If the exact number or principal amount of voting or equity securities of your company that are issuable on the conversion, exercise or exchange of outstanding securities of your company is not determinable, disclose the maximum number or principal amount of each class and series of voting or equity securities of your company that is issuable on the conversion, exercise or exchange of outstanding securities of your company and, if that maximum number or principal amount is not determinable, describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities of your company will be determined.
- (3) The disclosure under subsections (1) and (2) must be prepared as of the latest practicable date.

#### **MD&A Annotation Note #23 for Sections 8 and 9**

##### *Description of proposed changes*

1. We propose to move sections 5.3 *Additional Disclosure for Venture Issuers Without Significant Revenue* and 5.4 *Disclosure of Outstanding Share Data* of National Instrument 51-102 *Continuous Disclosure Obligations (NI 51-102)* into sections 8 and 9 of this Form.
2. We also propose to eliminate subparagraph 1.15(b)(iii) of the Current MD&A Form that references section 5.7 *Additional Disclosure for Reporting Issuers with Significant Equity Investees* of NI 51-102.

##### *Rationale*

Proposed change #1 - Moving requirements under sections 5.3 and 5.4 of NI 51-102 into this Form would place all MD&A disclosure requirements in one form and reduce the risk of issuers missing a disclosure requirement that applies to them.

Proposed change #2 - This is as a result of our proposal to eliminate section 5.7 of NI 51-102, which sets out disclosure requirements that overlap with the accounting standards.

**Additional disclosure for investment entities and non-investment entities recording investments at fair value**

- 10. (1)** If your company is an investment entity or a non-investment entity recording investments at fair value, discuss the performance of its investments for its 2 most recently completed financial years, including
- (a) a schedule of investments, including the investee’s name, and the cost and fair value for each investment held,
  - (b) changes to the composition of the investment portfolio, and
  - (c) drivers of fair value changes by investment, including a discussion of both unrealized and realized gains and losses.
- (2)** If subsection (1) applies and your company has concentrated holdings, disclose summarized financial information of the investee, including, for greater certainty, the aggregated amounts of assets, liabilities, revenue and profit or loss along with a discussion of the results of the investee.

**MD&A Annotation Note #24 for Section 10**

*Description of proposed change*

We propose to add disclosure requirements for investment entities and non-investment entities recording investments at fair value, similar to the disclosure requirements outlined in CSA Multilateral Staff Notice 51-349 *Report on the Review of Investment Entities and Guide for Disclosure Improvements (SN 51-349)*\*.

*Rationale*

In many jurisdictions, staff have seen an increase in the number of issuers that have determined they are an investment entity or a non-investment entity that measure substantially all of their investments at fair value through profit and loss. While some investment entities and non-investment entities recording investments at fair value have provided detailed disclosures in continuous disclosure filings, staff continue to raise comments in CD Reviews and improvements are required in many areas to provide sufficient disclosure to investors about the underlying investments of these issuers.

SN 51-349 was published to summarize staff’s disclosure expectations and provide guidance to assist investment entities and non-investment entities recording investments at fair value in meeting their continuous disclosure obligations. The concluding section of SN 51-349 outlines that there would be a continued evaluation of the disclosure of issuers that are investment entities and non-investment entities recording investments at fair value and the need for policy changes would be considered if it is determined that these issuers are not providing sufficient disclosure to their investors. The proposed disclosure requirements are consistent with the messaging in SN 51-349.

\* SN 51-349 was titled “A Guide for Disclosure Improvements by Investment Entities and Non-Investment Entities that Record Investments at Fair Value” in certain participating jurisdictions.

## INSTRUCTIONS

- (1) *In this section, “investment entity” has the same meaning as that term is defined in the issuer’s GAAP.*
- (2) *If a material portion of your company’s business is invested in other operating entities and those investments are recorded on a fair value basis, your company is a “non-investment entity recording investments at fair value”.*

### **MD&A Annotation Note #25 for Instructions (1) and (2) to Section 10**

#### *Description of proposed change*

We propose to add these instructions to provide descriptions of the terms “investment entity” and “non-investment entity recording investments at fair value”.

#### *Rationale*

See discussion in the MD&A Annotation Note #24 for section 10.

- (3) *The investment portfolio must be presented with sufficient disaggregation and transparency to allow an investor to understand the characteristics of the portfolio composition, including the associated risks and the drivers of any changes in fair value. Your company must provide an analysis of the financial and operational trends for the investments that led to the current determination of fair value.*
- (4) *A concentrated holding is considered to be a single investment that represents 30% or more of the fair value of your company’s investment portfolio. In calculating the fair value of its investment portfolio, exclude investments that are temporary and non-strategic in nature such as cash and cash equivalents, temporary investments and hedging derivative instruments.*

### **Other annual MD&A requirements**

- 11.** Include in the annual MD&A disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* and, as applicable, Form 52-109F1 *Certification of Annual Filings Full Certificate*, Form 52-109F1R *Certification of Refiled Annual Filings*, or Form 52-109F1 - *AIF Certification of Annual Filings in Connection with Voluntarily Filed AIF*.

**PART 3**  
**ANNUAL INFORMATION FORM**

*GENERAL INSTRUCTIONS FOR PART 3*

- (1) *An AIF is a disclosure document intended to provide material information about your company and its business at a point in time in the context of its historical and possible future development. The AIF describes your company, its operations and prospects, risks and other external factors that impact your company specifically, openly reporting bad news as well as good news.*
- (2) *Requirements in sections 15 to 19, 26, 27, 29 and 30 and subsection 28(1) of this Part that are applicable to “your company” apply to your company, your company’s subsidiaries, joint ventures to which your company is a party and entities in which your company has an investment accounted for by the equity method.*
- (3) *If your company is a structured entity, as that term is defined in Canadian GAAP applicable to publicly accountable enterprises, or the term equivalent to structured entity under the issuer’s GAAP, modify the disclosure requirements in this Part to reflect the nature of your company’s business.*

**AIF Annotation Note #1 for General Instruction (3)**

*Description of proposed change*

We propose to replace “special purpose entity” in the Current AIF Form with “structured entity”.

*Rationale*

The prior concept and discussion of “special purpose entities” has been replaced by the concept and discussion of “structured entities” as the latter term has superseded the former term under Canadian GAAP applicable to publicly accountable enterprises.

**Date and Filing**

- 12. (1)** Specify the date of the AIF.
- (2) The date must be no earlier than the date of the auditor’s report on the financial statements for your company’s most recently completed financial year.
- (3) The AIF must be dated within 10 days before the filing date.
- (4) Unless otherwise specified in this Part, present the information in the AIF as at the last day of its most recently completed financial year.

*INSTRUCTION*

*For information presented as at any date other than the last day of your company’s most recently completed financial year, your company must specify the relevant date in the disclosure.*

## Corporate structure

- 13. (1)** State your company's full corporate name or, if your company is an unincorporated entity, the full name under which it exists and carries on business.
- (2)** State the statute under which your company is incorporated, continued or organized or, if your company is an unincorporated entity, the jurisdiction of Canada or the foreign jurisdiction under which it is established and exists.
- (3)** Describe the substance of any amendments to the articles or other constating or establishing documents of your company since the date of your company's incorporation or formation.

### *INSTRUCTION*

*For the purposes of subsection (3), if the disclosure provided in one of your company's prior AIFs or prospectuses remains current, your company may incorporate by reference such previous disclosure to satisfy this requirement.*

#### **AIF Annotation Note #2 for Instruction to Section 13**

##### *Description of proposed change*

We propose to include this instruction so that issuers can refer to previous disclosure of any amendments to the articles or other constating or establishing documents of the issuer in a prior AIF or prospectus.

##### *Rationale*

We are of the view that the burden on issuers to reproduce the disclosure in the AIF is greater than the benefit that investors would obtain from having the disclosure. This would reduce burden as issuers would not have to repeat information that is already disclosed elsewhere.

## Intercorporate relationships

- 14. (1)** Describe, by way of a diagram or otherwise, the intercorporate relationships among your company and its subsidiaries.
- (2)** For each subsidiary, state all of the following:
  - (a)** the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by your company;
  - (b)** the percentage of each class of restricted securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by your company;
  - (c)** where it was incorporated, continued, formed or organized.

## INSTRUCTIONS

- (1) *Your company may omit disclosure about a particular subsidiary if, at your company's most recent financial year-end,*
  - (a) *the total assets of the subsidiary do not exceed 10% of the consolidated assets of your company, and*
  - (b) *the revenue of the subsidiary does not exceed 10% of the consolidated revenue of your company.*
- (2) *The condition in*
  - (a) *subparagraph (1)(a) of these instructions is not satisfied if the aggregate of all of your company's subsidiaries otherwise omitted under paragraph (1) of these instructions exceed 20% of your company's consolidated assets, and*
  - (b) *subparagraph (1)(b) of these instructions is not satisfied if the aggregate of all your company's subsidiaries otherwise omitted under paragraph (1) of these instructions exceed 20% of your company's consolidated revenue.*

### **AIF Annotation Note #3 for Removal of *General Development of the Business***

#### *Description of proposed changes*

1. We propose to remove section 4.1 of the Current AIF Form which requires disclosure of how the issuer's business has developed over the last 3 completed financial years; and
2. We propose to remove section 4.2 of the Current AIF Form which requires disclosure of any significant acquisitions completed during the most recently completed financial year.

#### *Rationale*

Proposed change #1 - We want to place greater emphasis on what happened to the issuer in the most recently completed financial year. As a result, we do not think that issuers should be required to provide a 3 year retrospective of its development.

Proposed change #2 - Significant acquisitions would be disclosed under other disclosure requirements in NI 51-102 (e.g., Part 8 *Business Acquisition Report* or Part 5 *MD&A*).

### **Describe the business**

15. Describe the business of your company and its reportable segments as that term is interpreted in the issuer's GAAP.

## INSTRUCTIONS

- (1) *Your company's business description must include a discussion of the following for each reportable segment, or for your company as a whole if it has a single reportable segment:*

- (a) *a description and summary of your company's products and services, principal markets, distribution methods, actual or proposed method of production or providing services, and the status of any new product or service that has been announced;*
  - (b) *a description of your company's business environment, including*
    - (i) *the competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position,*
    - (ii) *the extent to which the business is cyclical or seasonal,*
    - (iii) *any contract upon which your company's business is substantially dependent,*
    - (iv) *your company's dependence upon foreign operations, and*
    - (v) *the likely effect of any changes your company reasonably expects from renegotiation or termination of contracts or sub-contracts;*
  - (c) *a description of your company's business resources, including*
    - (i) *the sources, pricing and availability of raw materials, component parts or finished products, and*
    - (ii) *the importance, duration and effect of identifiable intangible assets, such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, on your company.*
- (2) *Your company's business description must include a discussion of the following for your company as a whole:*
- (a) *a description of your company's human capital resources, including*
    - (i) *any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to your company, and*
    - (ii) *the number of employees as at the end of your company's most recently completed financial year or the average number of employees over the year, whichever is more meaningful to understand your company's business;*
  - (b) *a description of*
    - (i) *the effects of environmental protection legislation on your company's operations, capital expenditures, financial performance or competitive position for your company's most recently completed financial year and the expected effect in future years, and*

(ii) *any social or environmental policies implemented by your company, such as policies regarding your company's relationship with the environment or with the communities in which it does business, or human rights policies, and the steps your company has taken to implement them.*

(c) *a description of the investment policies and lending and investment restrictions with respect to your company's lending operations.*

#### **AIF Annotation Note #4 for Section 15**

##### *Description of proposed changes*

1. We propose to make the following changes to section 5.1 of the Current AIF Form:
  - (a) relocate the content of the requirements to instructions (1) and (2) under this section, and
  - (b) regroup the requirements such that certain requirements apply to each reportable segment, or to the issuer as a whole, if it has a single reportable segment, and other requirements apply only to the issuer as a whole.
2. We propose to remove the requirements in subparagraph 5.1(1)(a)(iii) and subsections 5.1(2) and 5.1(3) of the Current AIF Form to disclose (i) for the 2 most recently completed financial years, revenue for each category of products or services that accounted for 15% or more of total consolidated revenue, (ii) bankruptcies and similar procedures within the 3 most recently completed financial years, and (iii) reorganizations within the 3 most recently completed financial years.
3. We propose to relocate the research and development elements in subparagraph 5.1(1)(a)(iv) of the Current AIF Form to Part 2 of this Form.

##### *Rationale*

Proposed change #1 –

- (a) This would provide issuers the flexibility to determine what disclosure is applicable under this section while at the same time retaining most of the content for instructional purposes.
- (b) We are of the view that certain disclosure (for example, description of products and services and business conditions) is necessary for each reportable segment as opposed to the issuer as a whole, in order to be meaningful to investors.

Proposed change #2 - Disclosure of these events would be included in the issuer's financial statements, MD&A or other mandated continuous disclosure documents.

Proposed change #3 - This is for consolidation purposes as disclosure of similar information is required in the issuer's MD&A. See also MD&A Annotation Note #9.

#### **Risk factors**

16. Disclose risk factors relating to your company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by your company, environmental and health risks, reliance on personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be most likely to influence an investor's decision to purchase securities of your company.

If there is a risk that securityholders of your company may become liable to make an additional contribution beyond the price of the security, disclose that risk.

**INSTRUCTIONS**

- (1) *Disclose the risks in order of seriousness from the most serious to the least serious.*
- (2) *A risk factor must not be de-emphasized by including, for greater certainty, excessive caveats or conditions.*
- (3) *Consider presenting risk factor disclosure in a manner, such as the tabular form below or any other suitable manner, that clearly identifies, for each risk factor*
  - (a) *the nature of the risk factor,*
  - (b) *its description,*
  - (c) *your company’s impact/probability (i.e., its seriousness), and*
  - (d) *your company’s risk mitigation strategy relating to it.*

**RISK FACTORS**

Nature of Risk Factor	Description	Impact / Probability Assessment	Risk Mitigation Strategy
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**AIF Annotation Note #5 for Instruction (3) to Section 16**

*Description of proposed change*

We propose to include this instruction to signal explicitly to issuers the option to provide risk factor disclosure (including risk mitigation strategy for each risk factor) in a tabular form or other alternative format and to clarify that the “seriousness” of a risk factor refers to an impact/probability assessment.

*Rationale*

The references to risk mitigation strategy and impact/probability assessment in the proposed instruction are consistent with guidance on risk factor disclosure provided in prior CSA staff notices including CSA Multilateral Staff Notice 51-347 *Disclosure of Cyber Security Risks and Incidents* and CSA Staff Notice 51-333 *Environmental Reporting Guidance*, and staff expectations generally.

**Companies with asset-backed securities outstanding**

- 17. If your company had asset-backed securities outstanding that were distributed under a prospectus, disclose the following information:
  - (a) a description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities;

- (b) for the 3 most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, financial disclosure that described the underlying pool of financial assets servicing the asset-backed securities relating to
  - (i) the composition of the pool as of the end of each financial year or partial period,
  - (ii) profit and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets,
  - (iii) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets,
  - (iv) servicing and other administrative fees, and
  - (v) any variances experienced in the matters referred to in subparagraphs (i) through (iv);
- (c) if any of the financial disclosure made in accordance with paragraph (b) has been audited, the existence and results of the audit;
- (d) the investment parameters applicable to investments of any cash flow surpluses;
- (e) the amount of payments made during the 3 most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on the outstanding asset-backed securities of your company;
- (f) the occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities;
- (g) the identity of any principal obligors for the outstanding asset-backed securities of your company, the percentage of the pool of financial assets servicing the asset-backed securities represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K or Form 20-F in the United States.

#### INSTRUCTIONS

- (1) *Present the information required under paragraph (b) in a manner that enables an investor to easily determine the status of the events, covenants, standards and preconditions referred to in paragraph (a).*
- (2) *If the information required under paragraph (b) is not compiled specifically on the pool of financial assets servicing the asset-backed securities, but is compiled on a larger pool of the*

*same assets from which the securitized assets are randomly selected so that the performance of the larger pool is representative of the performance of the pool of securitized assets, your company may comply with paragraph (b) by providing the information required based on the larger pool and disclosing that it has done so.*

- (3) *In the case of a new company, where the pool of financial assets servicing the asset-backed securities will be randomly selected from a larger pool of the same assets so that the performance of the larger pool will be representative of the performance of the pool of securitized assets to be created, your company may comply with paragraph (b) by providing the information required based on the larger pool and disclosing that it has done so.*

### **Companies with mineral projects**

- 18.** Provide the following information for each mineral project on a property material to your company:
- (a) the title, author, and date of the most recent technical report on the property filed in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
  - (b) the location of the project and means of access;
  - (c) the nature and extent of your company's title to or interest in the project, including, for greater certainty, surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences and other property tenure rights;
  - (d) the terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject;
  - (e) to the extent known, any significant factors or risks that might affect access or title, or the right or ability to perform work on, the property, including, for greater certainty, permitting and environmental liabilities to which the project is subject;
  - (f) to the extent known, the prior exploration and development of the property, including, for greater certainty, the type, amount, and results of any exploration work undertaken by previous owners, any significant historical estimates, and any previous production on the property;
  - (g) the regional, local, and property geology;
  - (h) a description of significant mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, and the length, width, depth and continuity of the mineralization together with a description of the type, character and distribution of the mineralization;
  - (i) the mineral deposit type or geological model or concepts being applied;

- (j) the nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of your company, including a summary and interpretation of the relevant results;
- (k) the type and extent of drilling and a summary and interpretation of all relevant results;
- (l) a description of sampling and assaying, including
  - (i) sample preparation methods and quality control measures employed before dispatch of samples to an analytical or testing laboratory,
  - (ii) the security measures taken to ensure the validity and integrity of samples taken,
  - (iii) a description of assaying and analytical procedures used and the relationship, if any, of the analytical or testing laboratory to your company, and
  - (iv) quality control measures and data verification procedures, and their results;
- (m) if mineral processing or metallurgical testing analyses have been carried out, a description of the nature and extent of the testing and analytical procedures, and a summary of the relevant results and, to the extent known, a description of any processing factors or deleterious elements that could have a significant effect on potential economic extraction;
- (n) a description of the mineral resources and mineral reserves, if any, including
  - (i) the effective date of the estimates,
  - (ii) the quantity and grade or quality of each category of mineral resources and mineral reserves,
  - (iii) the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves, and
  - (iv) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues;
- (o) for advanced properties,
  - (i) a description of the current or proposed mining methods, including a summary of the relevant information used to establish the amenability or potential amenability of the mineral resources or mineral reserves to the proposed mining methods,

- (ii) a summary of current or proposed processing methods and reasonably available information on test or operating results relating to the recoverability of the valuable component or commodity,
  - (iii) a description of the infrastructure and logistic requirements for the project,
  - (iv) a description of the reasonably available information on environmental, permitting, and social or community factors related to the project,
  - (v) a summary of capital and operating cost estimates, with the major components set out in tabular form, and
  - (vi) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (1) to Item 22 of Form 43-101F1 *Technical Report*;
- (p) a description of your company’s current and contemplated exploration, development, or production activities, and any milestone, including for greater certainty, mine expansion plans, productivity improvements, plans to develop a new deposit, or production decisions, and whether the milestone is based on a technical report filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

**INSTRUCTION**

*Your company may satisfy the disclosure requirements in this section for each mineral project on a property material to your company by reproducing in the AIF the summary from the technical report, if the summary contains all disclosure required under this section.*

**AIF Annotation Note #6 for Instruction to Section 18**

*Description of proposed change*

We propose to add the words “if the summary contains all disclosure required under this section” and to remove reference to having to “incorporate the detailed disclosure in the technical report into the AIF by reference”.

*Rationale*

This is to clarify that a summary from the technical report may be used to satisfy the disclosure requirements in section 18 only if the summary contains all disclosures required under section 18. This is also to clarify that the technical report is not required to be incorporated by reference.

**Companies with oil and gas activities**

**19.** If your company is engaged in oil and gas activities, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, all of the following apply:

- (a) in the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial

year, disclose that information as at your company's most recently completed financial year-end;

- (b) in the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared for a financial year, disclose that information for your company's most recently completed financial year;
- (c) include with the disclosure under paragraph (a) a report in the form of Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*, on the reserves data included in the disclosure required under paragraph (a);
- (d) include with the disclosure under paragraph (a) a report in the form of Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* that refers to the information disclosed under paragraph (a);
- (e) to the extent not reflected in the information disclosed in response to paragraph (a), disclose the information contemplated by Part 6 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* in respect of material changes that occurred after your company's most recently completed financial year-end.

#### **Description of capital structure and dividends or distributions policy**

- 20. (1)** Describe your company's capital structure. State the designation of each class of authorized securities, and describe the characteristics of each class of authorized securities, including, for greater certainty, voting rights, provisions for exchange, conversion, exercise, redemption and retraction, dividend rights and rights upon dissolution or winding-up.
- (2)** If there are constraints imposed on the ownership of securities of your company to ensure that your company has a required level of Canadian ownership, describe the mechanism, if any, by which the level of Canadian ownership of the securities is or will be monitored and maintained.
- (3)** If your company has asked for and received a credit rating, or if your company is aware that it has received any other kind of rating, including, for greater certainty, a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding, or will be outstanding, and the rating or ratings continue in effect, disclose the following:
- (a) each rating received from a credit rating organization;
  - (b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;
  - (c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

- (d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;
  - (e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;
  - (f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization;
  - (g) any announcement made by, or any proposed announcement known to your company that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this subsection.
- (4) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described under subsection (3), state that fact and state whether any payments were made to the credit rating organization in respect of any other service provided to your company by the credit rating organization during the last 2 years.
- (5) Disclose your company's current dividend or distribution policy and any intended change in dividend or distribution policy.

#### INSTRUCTIONS

- (1) *Subsection (1) may be complied with by providing a summary of the matters referred to in that subsection. The provisions attaching to different classes of securities are not required to be set out in full. As part of the disclosure of the description of capital structure, include the disclosure required under subsection 10.1(1) of National Instrument 51-102 Continuous Disclosure Obligations.*
- (2) *For purposes of paragraph (3)(d), there may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash-settled derivative instruments, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest, or the volatility of the price, value or level of the underlying interest, may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Your company must discuss any such attributes as required under paragraph (3)(d).*
- (3) *A provisional rating received before your company's most recently completed financial year is not required to be disclosed under this section.*

### **AIF Annotation Note #7 for Removal of *Dividends and Distributions***

#### *Description of proposed changes*

1. We propose to remove the following requirements in the Current AIF Form:
  - (a) subsection 6.1(1), which requires disclosure of cash dividends or distributions declared for the 3 most recently completed financial years; and
  - (b) subsection 6.1(2), which requires disclosure of any restrictions on payment of dividends or distributions.
2. We propose to relocate subsection 6.1(3) of the Current AIF Form as subsection 20(5) of this Form.

#### *Rationale*

Proposed change #1 – Subsections 6.1(1) and (2) of the Current AIF Form are duplicative of requirements under the accounting standards.

Proposed change #2 – We believe that the information in subsection 6.1(3) of the Current AIF Form remains material and the relocation of the requirement is to allow for a more logical flow of requirements.

### **Market for securities**

- 21. (1)** For each class of securities of your company that is traded or quoted on a Canadian or foreign marketplace for which your company has applied for and received a listing, identify all such marketplaces.
- (2)** If a Canadian marketplace is not identified under subsection (1) in respect of a class of securities of your company, but one or more foreign marketplaces are identified under subsection (1) in respect of that class, identify the foreign marketplace on which the greatest volume of trading or quotation generally occurs and provide either of the following in respect of that class:
  - (a) the price ranges and volume traded or quoted on a monthly basis for each month or, if applicable, partial months of the most recently completed financial year;
  - (b) the address of the website or other publicly available source where the information required under paragraph (a) can be found.

### **AIF Annotation Note #8 for Section 21**

#### *Description of proposed changes*

1. With respect to subsection 21(1), we propose to
  - remove the requirement in subsection 8.1(1) of the Current AIF Form to identify the price ranges and volume traded or quoted on a Canadian marketplace, and
  - require the identification of all Canadian and foreign marketplaces on which the issuer has applied for and received a listing.

2. With respect to subsection 21(2), we propose to revise the requirements in subsections 8.1(2) and 8.1(3) of the Current AIF Form so that disclosure is only required if a Canadian marketplace is not identified in respect of a class of securities and the issuer has applied for and received a listing on a foreign marketplace.
3. We propose to add paragraph 21(2)(b) so that if information required under paragraph 21(2)(a) is available through a publicly available source, the issuer can identify that source instead.

*Rationale*

Proposed change #1 –

- Investors would be able to locate the pricing and trading volume information easily from the Canadian marketplaces themselves.
- Issuers are able to easily identify Canadian and foreign marketplaces on which the issuer has applied for and received a listing and this information may be beneficial for investors to determine where they can trade securities of the issuer.

Proposed change #2 - We are of the view that an issuer should not be required to include disclosure for marketplaces where it has not taken formal steps to list its securities, particularly where the issuer is unaware its securities might be traded or quoted on such marketplaces.

Proposed change # 3 - If an issuer identifies the publicly available source, investors would be able to access this information themselves.

**AIF Annotation Note #9 for Removal of *Prior Sales***

*Description of proposed change*

We propose to remove section 8.2 *Prior Sales* of the Current AIF Form, which requires disclosure of prior sales of securities of the issuer during the most recently completed financial year.

*Rationale*

This information is typically available in other disclosure made by the issuer, such as the MD&A or publicly available Form 45-106F1 *Report of Exempt Distribution*, where the issuer has filed such forms in connection with private placements.

**Escrowed securities and securities subject to contractual restriction on transfer**

- 22. (1)** State, in substantially the following tabular form, the number of securities of each class of your company held, to your company’s knowledge, in escrow or that are subject to a contractual restriction on transfer, and the percentage that number represents of the outstanding securities of that class for your company’s most recently completed financial year.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class

- (2) In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow or the date the contractual restriction on transfer ends, as applicable.

#### *INSTRUCTIONS*

- (1) *For the purposes of this section, “escrow” includes securities subject to a pooling agreement.*
- (2) *For the purposes of this section, information in respect of securities subject to contractual restrictions on transfer as a result of pledges made to lenders is not required to be disclosed.*

#### **Directors and executive officers – general**

- 23. (1)** List the name, province or state, and country of residence of each director and executive officer of your company and indicate their respective positions and offices held with your company and their respective principal occupations during the 5 years before the date of the AIF.
- (2) State the period or periods during which each director has served as a director and when his or her term of office will expire.
- (3) State the number and percentage of securities of each class of voting securities of your company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all directors and executive officers of your company as a group.
- (4) Identify the members of each committee of the board.
- (5) If the principal occupation of a director or executive officer of your company is acting as an officer of a person or company other than your company, disclose that fact and state the principal business of the person or company.

#### *INSTRUCTION*

*For the purposes of subsection (3), securities of subsidiaries of your company that are beneficially owned, or controlled or directed, directly or indirectly, by directors or executive officers through ownership, or control or direction, directly or indirectly, over securities of your company, are not required to be included.*

#### **Cease trade orders, bankruptcies, penalties or sanctions**

- 24. (1)** If a director or executive officer of your company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including, for greater certainty, your company) that was subject to any of the following, state that fact and describe the basis on which the order was made and whether the order is still in effect:
- (a) an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;

- (b) an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.
- (2)** For the purposes of subsection (1), “order” means any of the following:
  - (a) a cease trade order;
  - (b) an order similar to a cease trade order;
  - (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.
- (3)** State if any of the following apply to a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company:
  - (a) the person is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including, for greater certainty, your company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
  - (b) the person or company has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.
- (4)** Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, has been subject to any:
  - (a) penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has, within the 10 years before the date of the AIF, entered into a settlement agreement with a securities regulatory authority and

#### **AIF Annotation Note #10 for Paragraph 24(4)(a)**

##### *Description of proposed change*

We propose to revise paragraph 10.2(2)(a) of the Current AIF Form and delete subsection 10.2(3) of the Current AIF Form in order to reduce the look back relating to the requirement to disclose any settlement agreements entered into with a securities regulatory authority by directors, officers or significant shareholders to a 10-year period.

##### *Rationale*

We are of the view that the cost of disclosing settlement agreements entered into with a securities regulatory authority by directors, officers or significant shareholders which dates back more than 10 years may outweigh the benefits investors will obtain from the information.

- (b) other penalties or sanctions imposed by a court or regulatory body that would likely be considered material to a reasonable investor in making an investment decision.

#### **INSTRUCTIONS**

- (1) *Your company must disclose all individual cease trade orders and bankruptcies required under subsections (1) and (3), and all penalties, sanctions and settlement agreements required under paragraph (4)(a), because they are material.*
- (2) *The disclosure required under subsections (1), (3) and (4) also applies to any personal holding companies of any of the persons referred to in subsections (1), (3) and (4).*
- (3) *A management cease trade order which applies to directors or executive officers of a company is an "order" for the purposes of paragraph (1)(a) and must be disclosed, whether or not the director, chief executive officer or chief financial officer was named in the order.*
- (4) *Paragraph (1)(a) applies only if the director or executive officer was a director, chief executive officer or chief financial officer when the order was issued against the company. Your company is not required to provide disclosure if the director or executive officer became a director, chief executive officer or chief financial officer after the order was issued.*
- (5) *A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not considered to be a "penalty or sanction".*

#### **Promoters**

- 25.** For a person or company that has been, within the 2 most recently completed financial years or during the current financial year, a promoter of your company or of a subsidiary of your company, state
- (a) the person or company's name, and
  - (b) the number and percentage of each class of voting securities and equity securities of your company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly.

## Legal proceedings

- 26. (1)** Describe any legal proceedings your company is or was a party to, or that any of its property is or was the subject of, during your company's most recently completed financial year.
- (2)** Describe any such legal proceedings your company knows to be contemplated.
- (3)** For each proceeding described under subsections (1) and (2), include the name of the court or agency, the date instituted, the principal parties to the proceeding, the nature of the claim, the amount claimed, if any, whether the proceeding is being contested, and the present status of the proceeding.

### INSTRUCTION

*Your company is not required to include information with respect to any proceeding that involves a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10% of the current assets of your company. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, your company must include the amount involved in the other proceedings in computing the percentage.*

## Regulatory actions

- 27.** Describe any
- (a)** penalties or sanctions imposed against your company by a court relating to securities legislation or by a securities regulatory authority during your financial year,
  - (b)** other penalties or sanctions imposed by a court or regulatory body against your company, and
  - (c)** settlement agreements your company entered into before a court relating to securities legislation or with a securities regulatory authority during your financial year.

### INSTRUCTIONS

- (1)** *Your company must disclose all penalties, sanctions and settlement agreements required under paragraphs (a) and (c), because they are material.*
- (2)** *A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not considered to be a "penalty or sanction".*

## Interest of management, promoters and others in transactions and other conflicts of interest

- 28. (1)** Describe, and state the approximate amount of, any interest, direct or indirect, of any of the following persons or companies in any transaction within the 3 most recently completed financial years or during the current financial year that has affected or is reasonably expected to affect your company:

- (a) a director or executive officer of your company;
  - (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 % of any class or series of your outstanding voting securities;
  - (c) an associate or affiliate of any of the persons or companies referred to in paragraph (a) or (b).
- (2)** For any transaction identified under subsection (1), provide a brief description of the transaction that includes the name of each person or company whose interest in the transaction is described and the nature of the relationship to your company.
- (3)** For any transaction identified under subsection (1) involving the purchase or sale of assets by or to your company or a subsidiary of your company, state the cost of the assets to the purchaser, and the cost of the assets to the seller if acquired by the seller within 3 years before the transaction.
- (4)** Unless disclosed under subsection (1), disclose particulars of existing or potential conflicts of interest between your company or a subsidiary of your company and any director or officer of your company or of a subsidiary of your company.
- (5)** For each promoter identified under section 25, state the following:
- (a) the nature and amount of anything of value, including, for greater certainty, money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from your company or from a subsidiary of your company, and the nature and amount of any assets, services or other consideration received or to be received by your company or a subsidiary of your company in return;
  - (b) for an asset acquired within the 2 most recently completed financial years or during the current financial year, or an asset to be acquired, by your company or by a subsidiary of your company from a promoter
    - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,
    - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with your company, the promoter, or an associate or affiliate of your company or of the promoter, and
    - (iii) the date at which the asset was acquired by the promoter and the cost of the asset to the promoter.

#### **INSTRUCTIONS**

- (1)** *For purposes of subsection (1), the materiality of the interest is to be determined in light of all the circumstances of the particular case, including, for greater certainty, the amount and the*

*percentage of the interest, the relationship of the parties to the transaction with each other and the value of the transaction.*

- (2) *Section 28 does not apply to any interest arising from the ownership of securities of your company if the securityholder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities or all other holders of the same class of securities who are resident in Canada.*
- (3) *Your company is not required to include information under this section for a transaction if any of the following apply:*
- (a) *the rates or charges involved in the transaction are fixed by law or determined by competitive bids;*
  - (b) *the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction;*
  - (c) *the transaction involves services as a bank or other depository of funds, a transfer agent, registrar, trustee under a trust indenture or other similar services;*
  - (d) *the transaction does not involve remuneration for services and the interest of the specified person or company arose from the beneficial ownership, for greater certainty, direct or indirect, of less than 10% of any class of equity securities of another company that is party to the transaction and the transaction is in the ordinary course of business of your company or your company's subsidiaries.*
- (4) *For the purposes of subsection (2), your company must describe all transactions not excluded by instruction (3) that involve remuneration (including, for greater certainty, an issuance of securities), directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, for greater certainty, direct or indirect, of less than 10% of any class of equity securities of another company furnishing the services to your company or your company's subsidiaries.*

#### **AIF Annotation Note #11 for Section 28**

##### *Description of proposed change*

We propose to combine the following sections of the Current AIF Form into one section:

- section 10.3 *Conflicts of Interest*
- section 11.1 *Promoters*
- section 13.1 *Interest of Management and Others in Material Transactions* and instruction (iii) to section 13.1

##### *Rationale*

This is to address, on a centralized basis, all relevant actual or potential self-dealing and conflict matters involving the issuer, its management, its promoters and others.

### **AIF Annotation Note #12 for Removal of *Transfer Agents and Registrars***

#### *Description of proposed change*

We propose to remove Item 14 *Transfer Agents and Registrars* of the Current AIF Form, which requires disclosure of the issuer's transfer agents, registrars and the location of the registers of transfers.

#### *Rationale*

This information is already required to be disclosed in each issuer's SEDAR profile. We also note that transfer agent and share registry services are almost always provided by one entity (i.e., the "transfer agent").

### **Material contracts**

**29. (1)** Give particulars of the following:

- (a) any material contract required to be filed under section 12.2 of the National Instrument 51-102 *Continuous Disclosure Obligations* at the time this AIF is filed, as required under section 12.3 of that Instrument;
- (b) any material contract that would be required to be filed under section 12.2 of the National Instrument 51-102 *Continuous Disclosure Obligations* at the time this AIF is filed, as required under section 12.3 of that Instrument, but for the fact that it was previously filed.

**(2)** Present a complete list of all contracts for which particulars must be given in accordance with this section, indicating where the particulars are disclosed.

#### **INSTRUCTIONS**

- (1) *Your company must give particulars of any material contract that was entered into within the last financial year or before the last financial year if the contract is still in effect, and that is required to be filed under section 12.2 of National Instrument 51-102 Continuous Disclosure Obligations or would be required to be filed under section 12.2 of that Instrument but for the fact that it was previously filed. For the purposes of paragraph (1)(b), if those particulars have been provided in one of your company's prior AIFs or prospectuses and remain current, your company may incorporate by reference that previous disclosure to satisfy this requirement.*

### **AIF Annotation Note #13 for Instruction (1) to Section 29**

#### *Description of proposed change*

We propose to add the last sentence of this instruction so that issuers can incorporate by reference material contract particulars if they have been provided in a previous AIF or prospectus of the issuer and such disclosure remains current.

#### *Rationale*

This would reduce burden as issuers would not have to repeat information that is already disclosed elsewhere.

- (2) *Particulars of contracts must include the dates of, parties to, consideration provided for in, and general nature and terms of, the contracts.*

### **Interests of experts**

**30. (1)** Name each person or company

- (a) who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by your company during, or relating to, your company's most recently completed financial year, and
- (b) whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company.

**(2)** Disclose all of the following registered or beneficial interests, for greater certainty, direct or indirect, in any securities or other property of your company or of one of your associates or affiliates:

- (a) registered or beneficial interests held by an expert named under subsection (1) and, if the expert is not an individual, by the designated professionals of that expert, when that expert prepared the report, valuation, statement or opinion referred to in paragraph (1)(a);
- (b) registered or beneficial interests received by an expert named under subsection (1) and, if the expert is not an individual, by the designated professionals of that expert, after the time specified in paragraph (2)(a);
- (c) registered or beneficial interests to be received by an expert named under subsection (1) and, if the expert is not an individual, by the designated professionals of that expert.

**(3)** If a person or a director, officer or employee of a person or company referred to in subsection (2) is or is expected to be elected, appointed or employed as a director, officer or employee of your company or of any associate or affiliate of your company, disclose the fact or expectation.

### **INSTRUCTIONS**

(1) *Subsection (2) does not apply to*

- (a) *auditors of a business acquired by your company provided they have not been or will not be appointed as your company's auditor subsequent to the acquisition, and*
- (b) *your company's predecessor auditors, if any, for periods when they were not your company's auditor.*

(2) *Subsection (2) does not apply to registered or beneficial interests, for greater certainty, direct or indirect, held through mutual funds.*

- (3) *For the purposes of subsection (2), a “designated professional” means, in relation to an expert named under subsection (1),*
- (a) *each partner, employee or consultant of the expert who participated in and who was in a position to directly influence the preparation of the report, valuation, statement or opinion referred to in paragraph (1)(a), and*
  - (b) *each partner, employee or consultant of the expert who was, at any time during the preparation of the report, valuation, statement or opinion referred to in paragraph (1)(a), in a position to directly influence the outcome of the preparation of the report, valuation, statement or opinion, including, for greater certainty,*
    - (i) *any person who recommends the compensation of, or who provides direct supervisory, management or other oversight of, the partner, employee or consultant in the performance of the preparation of the report, valuation, statement or opinion referred to in paragraph (1)(a), including, for greater certainty, those at all successively senior levels through to the expert's chief executive officer,*
    - (ii) *any person who provides consultation regarding technical or industry-specific issues, transactions or events for the preparation of the report, valuation, statement or opinion referred to in paragraph (1)(a), and*
    - (iii) *any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in paragraph (1)(a).*
- (4) *For the purposes of subsection (2), if the person’s or company’s interest in the securities represents less than 1% of your company’s outstanding securities of the same class, a general statement to that effect is sufficient.*
- (5) *Despite subsection (2), an auditor who is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or who has performed an audit in accordance with U.S. PCAOB GAAS or U.S. AICPA GAAS is not required to provide the disclosure required under subsection (2) if there is disclosure that the auditor is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or that the auditor has complied with the SEC's rules on auditor independence.*

**AIF Annotation Note #14 for Instructions (3), (4) and (5) to Section 30**

*Description of proposed change*

We propose to relocate subsections 16.2(1.1), 16.2(2) and 16.2(2.1) of the Current AIF Form to instructions (3), (4) and (5).

*Rationale*

We are of the view that these items are more in the nature of instructions rather than substantive requirements.

## Additional information

- 31.** If your company is required to distribute a Form 51-102F5 *Information Circular* to any of its securityholders, include a statement that additional information, including, for greater certainty, directors' and officers' remuneration and indebtedness, directors' principal occupation, principal holders of your company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in your company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

### INSTRUCTION

*If your company is not a venture issuer you must provide additional information in its AIF as set out in Form 52-110F1 Audit Committee Information Required in an Annual Information Form.*

## Additional disclosure for companies not sending information circulars

- 32.** If either of the following applies to your company, disclose in the AIF the information required under Items 6, 7, 9, 10, 12 and 13 of Form 51-102F5 *Information Circular*, as modified below:
- (a) your company is not required to send a Form 51-102F5 *Information Circular* to any of its securityholders;
  - (b) your company is required to send a Form 51-102F5 *Information Circular* to its securityholders but has not filed such document within the past 12 months of the date of the AIF.

<u>Form 51-102F5 Reference</u>	<u>Modification</u>
Item 6 - Voting Securities and Principal Holders of Voting Securities	Include the disclosure specified in section 6.1 without regard to the phrase "entitled to be voted at the meeting". Do not include the disclosure specified in sections 6.2, 6.3 and 6.4. Include the disclosure specified in section 6.5.
Item 7 – Election of Directors	Disregard the preamble of section 7.1. Include the disclosure specified in section 7.1 without regard to the word "proposed" throughout. Do not include the disclosure specified in section 7.3.
Item 9 – Securities Authorized for Issuance under Equity Compensation Plans	Disregard subsection 9.1(1).
Item 10 – Indebtedness of Directors and Executive Officers	Include the disclosure specified throughout; however, replace the phrase "date of the information circular" with "date of the AIF" throughout. Disregard paragraph 10.3(a).
Item 12 – Appointment of Auditor	Name the auditor. If the auditor was first appointed within the last 5 years, state the date when the auditor was first appointed.

**AIF Annotation Note #15 for Section 32**

*Description of proposed change*

We propose to remove the requirement to disclose executive compensation under Item 8 of Form 51-102F5 *Information Circular*.

*Rationale*

This requirement is duplicative. For issuers that are required to send an information circular but have not yet done so, this information is required under subsection 9.3.1(2.2) of NI 51-102. For issuers that are not required to send an information circular, this information is required under section 11.6 of NI 51-102.