

Annex C

Proposed Annotated Form 51-102F2
Interim 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 interim disclosure statement form (the **Form**).

Rationale

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

- (1) *An interim disclosure statement is required to be filed for each interim period under Part 3A of National Instrument 51-102 Continuous Disclosure Obligations. The interim disclosure statement is intended to provide a comprehensive overview of changes and updates in your company's business, financial performance, financial condition and cash flows since the end of the last annual reporting period.*

The interim disclosure statement is comprised of 2 parts:

- *Part 1 – Interim financial report*

An interim financial report required to be filed under section 4.3 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 interim financial report required to be filed under sections 5.1 and 5.2 of National Instrument 51-102 Continuous Disclosure Obligations.

- (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 interim disclosure statement is supplemented throughout the year by continuous disclosure filings including, for greater certainty, news releases, material change reports and business acquisition reports. Disclose in your company's interim disclosure statement that additional information relating to your company may be found on SEDAR at 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 interim disclosure statement. If disclosure in the interim disclosure statement refers explicitly or implicitly to disclosure in another section of the interim 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 interim 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 interim 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.

PART 1
INTERIM FINANCIAL REPORT

Interim financial report

1. Include an interim financial report meeting the requirements of Part 4 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 #1 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) *In preparing the information required under Part 2 of this Form, your company must take into account information available up to the date of filing so that the MD&A is not misleading when filed.*
- (3) *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.*

MD&A Annotation Note #2 for Instruction (3)

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 interim disclosure statement subject to the qualification that issuers are to focus on material information as set out in instruction (3). 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.

- (4) *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.*
- (5) *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.*
- (6) *The numbering and ordering of sections included in Part 2 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 of this Form. Your company is not required to respond to any section in Part 2 of this Form that is inapplicable, and your company may omit negative answers.*
- (7) *Your company may incorporate information required to be included under Part 2 of this Form by referencing another document filed on its SEDAR profile, other than a prior MD&A. 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 interim disclosure statement. Your company must also disclose that the referenced document is on SEDAR at www.sedar.com.*
- (8) *If an acquisition is a reverse takeover, the MD&A must be based on the reverse takeover acquirer’s financial statements.*

Date

2. Specify the date of the interim MD&A.

Interim MD&A

- 3.(1) The interim MD&A must update the annual MD&A for all disclosure required under Part 2 of Form 51-102F1 *Annual Disclosure Statement*.
- (2) The disclosure in the interim MD&A must include
 - (a) a discussion and analysis of
 - (i) your company's current quarter and year-to-date results, including, for greater certainty, a comparison of financial performance to the corresponding periods in the previous year,
 - (ii) a comparison of your company's cash flows to the corresponding period in the previous year,
 - (iii) changes in your company's financial condition, financial performance and cash flows, that are not related to ongoing business operations, and

MD&A Annotation Note #3 for Subparagraph 3(2)(a)(iii)

Description of proposed change

We propose to add the words "financial condition" and "cash flows" to this requirement.

Rationale

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

- (iv) any seasonal aspects of your company's business that affect its financial position, financial performance or cash flows, and
 - (b) a comparison of your company's interim financial condition to its financial condition as at its most recently completed financial year-end.
- (3) Despite subparagraph (2)(a)(i), your company is not required to include the comparison of the financial performance of your company's current quarter results to the corresponding period in the previous year if your company's discussion and analysis of the current quarter results includes a comparison of financial performance to the immediately preceding quarter and that comparison is suitable for comparative purposes.

- (4) If the alternative comparison referred to in subsection (3) is used, provide
- (a) in the MD&A,
 - (i) summary financial information for the immediately preceding quarter or include a reference to the location of that information, and
 - (ii) a discussion of the reasons for using the alternative comparison or include a reference to the location of that information, and
 - (b) comparisons to the immediately preceding quarter and the corresponding period in the previous year when the alternative comparison is first used.

MD&A Annotation Note #4 for Subsections 3(3) and 3(4) and Instruction (4) to Section 3

Description of proposed change

We propose to add these provisions to allow issuers to compare the financial performance of their current quarter with the immediately preceding quarter, where appropriate, rather than to the corresponding period in the previous year. An issuer that elects to use this option will need to provide summary financial information of that immediately preceding quarter or include a reference to the location of that information. The issuer will also need to discuss reasons for changing the basis of comparison.

We also propose to add instruction (4) to explain that this option would not be appropriate where the issuer's business is seasonal.

Rationale

This is to allow issuers additional flexibility to provide an analysis that they believe is most relevant to an understanding of their performance while also ensuring that investors have appropriate information to assess the comparisons being presented.

INSTRUCTIONS

- (1) *For the purposes of subparagraph (2)(a)(i) and subsection (3), consider presenting the current quarter with greater prominence than the comparison period.*
- (2) *For the purposes of paragraph (2)(b), assume investors have access to your company's annual MD&A. Your company is not required to duplicate the discussion and analysis of financial condition in its annual MD&A. For example, if economic and industry factors are unchanged, your company may make a statement to this effect.*
- (3) *In discussing your company's financial condition, financial performance or cash flows for an interim period, disclose changes in specified contractual obligations during the interim period.*
- (4) *For purposes of subsection (3), consider whether it would be appropriate to include a comparison*

of financial performance to the immediately preceding quarter as an alternative to the corresponding period in the previous year if the latter comparison is not suitable for comparative purposes. A comparison of financial performance to the immediately preceding quarter is not suitable for comparative purposes when a company's business is seasonal.

- (5) *The disclosure required under sections 8 and 10 of Form 51-102F1 Annual Disclosure Statement is only required for your company's most recent year-to-date interim period and its corresponding comparative year-to-date interim period.*
- (6) *An interim MD&A is not required for your company's fourth quarter (see section 4 of Form 51-102F1 Annual Disclosure Statement).*
- (7) *Your company's annual MD&A is not required to include all the information required under Part 2 of Form 51-102F1 Annual Disclosure Statement if it was a venture issuer as at the end of its last financial year. If your company ceased to be a venture issuer during the interim period, it is not required to restate the MD&A previously filed. Instead, provide the disclosure for the additional sections in Part 2 of Form 51-102F1 Annual Disclosure Statement that it was exempt from as a venture issuer in its next interim MD&A filed. Base the disclosure for those sections on its interim financial report.*

Quarterly highlights

- 4.(1)** If your company is a venture issuer, it has the option of meeting the requirements under section 3 by instead providing a short discussion about its business, financial condition, financial performance, and cash flows.
- (2)** If the interim MD&A is prepared using quarterly highlights under subsection (1), discuss
 - (a) your company's financial condition, financial performance and cash flows and any factors that have caused period to period variations in those measures,
 - (b) known trends, risks or demands,
 - (c) significant operating milestones,
 - (d) commitments, expected or unexpected events, or uncertainties that have affected its operations, liquidity and capital resources in the interim period or are reasonably likely to affect them in the future,
 - (e) any changes from disclosure previously made about how it was going to use proceeds from any financing and an explanation of variances,
 - (f) any transactions between related parties, and
 - (g) the effects resulting from a change to its accounting policies during the interim period.

- (3) Title the quarterly highlights, “Interim MD&A – Quarterly Highlights”.

INSTRUCTIONS

- (1) *Provide a short, focused discussion that gives a balanced and accurate picture of your company’s business during the interim period. The purpose of the quarterly highlights is to provide a brief narrative update about your company’s business, financial condition, financial performance and cash flows. While summaries are to be clear and concise, they are subject to the normal prohibitions against false and misleading statements.*
- (2) *Quarterly highlights are not required for your company’s fourth quarter as relevant fourth quarter content will be contained in its annual MD&A (see section 4 of Form 51-102F1 Annual Disclosure Statement).*

MD&A Annotation Note #5 for Instructions to Sections 3 and 4

Description of proposed change

We propose to eliminate instruction (i) to sections 2.2 and 2.2.1 in the Current MD&A Form, which requires that an issuer’s first interim MD&A after becoming a reporting issuer contains all disclosure required under Item 1 of the Current MD&A Form.

Rationale

An issuer filing its first interim MD&A after becoming a reporting issuer would be able to rely on the previous annual MD&A included in a long-form prospectus, information circular, filing statement, listing statement or other similar document. The requirement that the interim MD&A update the annual MD&A would provide sufficient information to investors.

Other interim MD&A requirements

5. Include in the interim MD&A the disclosure required under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* and, as applicable, the disclosure required under Form 52-109F2 *Certification of Interim Filings – Full Certificate* or Form 52-109F2R *Certification of Refiled Interim Filings*.