

Annex C

Summary of the Terms and Conditions of the SAR Pilot and CSA Commentary

Eligibility Criteria

Key Element	Commentary
<p>The issuer is, and has been, a reporting issuer in at least one jurisdiction of Canada for at least 12 months</p> <p><i>See preamble in section 5 and subsection 5(a) of the Blanket Order</i></p>	<p>The intent of this condition is to address concerns related to less frequent reporting in circumstances where an issuer has recently become a reporting issuer and has not demonstrated a history of compliant continuous disclosure. Accordingly, we have included a condition to limit eligibility to issuers who have been reporting issuers in at least one jurisdiction of Canada for at least 12 months.</p> <p>For the purposes of the SAR Pilot, successor or resulting issuers are not entitled to rely on the continuous disclosure record of any predecessor reporting issuer for the purposes of satisfying the requirement to have been a reporting issuer in at least one jurisdiction of Canada for at least 12 months. If an issuer has been relying on the exemptions in the Blanket Order and is contemplating a restructuring transaction, that issuer is encouraged to contact their principal regulator to discuss staff's expectations.</p>
<p>The issuer has securities listed on a Canadian venture exchange</p> <p><i>See subsections 5(b) and (c) of the Blanket Order</i></p>	<p>The intent of this condition is to limit eligibility for the purposes of the SAR Pilot solely to venture issuers with listed securities on the TSXV or CSE that are subject to venture exchange listing requirements.</p>
<p>The issuer has revenue, as shown on the issuer's most recently filed audited annual financial statements, of no more than C\$10 million</p> <p><i>See subsection 5(d) of the Blanket Order</i></p>	<p>The intent of this condition is to limit eligibility to certain smaller venture issuers.</p>

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<p>The issuer has filed all periodic and timely disclosure documents that it is required to have filed</p> <p><i>See subsection 5(e) of the Blanket Order</i></p>	<p>The intent of this condition is to address concerns related to issuers who are non-compliant with existing requirements in respect of periodic and timely reporting requirements from participating in the SAR Pilot.</p> <p>Reporting issuers relying on the exemptions in the Blanket Order, must comply with the requirements and are reminded of the accompanying guidance relating to material change reporting and timely disclosure under securities laws and venture exchange rules, including:</p> <ul style="list-style-type: none"> • Part 7 of National Instrument 51-102 <i>Continuous Disclosure Obligations</i> and the associated companion policy; • Part 2 of National Policy 51-201 <i>Disclosure Standards</i>; • CSE Policy 5 <i>Timely Disclosure, Trading Halts, and Posting</i>; • TSXV Policy 3.3 <i>Timely Disclosure</i>.
<p>The issuer cannot have been, in the 12 months prior to the issuer relying on the exemptions in the Blanket Order, the subject of any</p> <ul style="list-style-type: none"> • penalties or sanctions, including restrictions on the use by the issuer of any type of prospectus, or exemption, imposed by a court relating to securities legislation or by a securities regulatory authority • cease trade order in any jurisdiction of Canada that was not revoked within 30 days of its issuance <p><i>See paragraphs 5(f)(i) and (ii) of the Blanket Order</i></p>	<p>The intent of this condition is to limit eligibility to issuers that are in good standing. We have concerns related to less frequent reporting in circumstances where an issuer has recently been the subject of any penalties, sanctions or cease trade order.</p> <p>We note that, for the purposes of this condition, a late filing fee (or administrative monetary penalty for late filings) is not a “penalty or sanction”.</p>

Requirements From Which an Eligible Issuer is Exempt

Key Element	Commentary
<p>An eligible issuer is exempt from the requirement to file an interim financial report for each of the three and nine-month interim periods of its financial year</p> <p><i>See section 5 of the Blanket Order</i></p> <p><i>See also:</i></p> <ul style="list-style-type: none"> • <i>Subsection 4.3(1) of NI 51-102</i> • <i>Paragraph 4.2(b)(i) of NI 51-102</i> • <i>Subsection 5.1(1) of NI 51-102</i> • <i>Subsection 5.1(2) of NI 51-102</i> • <i>Subsection 5.1(2) of NI 52-109</i> 	<p><i>Three and Nine-Month Interim Period</i></p> <p>The Blanket Order provides an exemption from the requirement in NI 51-102 to file an interim financial report for each of the three and nine-month periods, subject to certain terms and conditions.</p> <p>Issuers relying on the exemptions in respect of filing interim financial reports for the three and nine-month periods are not required to file MD&As in respect of such interim periods. The Blanket Order does not include a specific exemption from the MD&A requirements for the three and nine-month interim periods as there is no trigger for an issuer to file an MD&A for any interim period for which it did not file an interim financial report.</p> <p>The Blanket Order does not include a specific exemption from the interim certificate requirements for the three and nine-month interim periods as there is no trigger for an issuer to file an interim certificate for any interim period for which it did not file an interim financial report.</p> <p><i>Six-Month Interim Period</i></p> <p>Issuers must comply with the filing deadline in NI 51-102 when filing an interim financial report and related MD&A for the six-month interim period and certification of the foregoing filings as required by National Instrument 52-109 <i>Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109)</i>.</p>
<p>An eligible issuer is exempt from including, in the interim financial report for the six-month interim period, a statement of comprehensive income for the current quarter to date and comparative financial information for the</p>	<p>The Blanket Order provides an exemption to issuers from including certain disclosures in the interim financial report for the six-month interim period.</p> <p>For example, an issuer with a December 31 year end will only be required to include in its interim financial report for the six-month interim period, a statement of comprehensive income for the six-months ended June 30 and comparative financial information for the corresponding period in the immediately preceding financial year (i.e. a statement of comprehensive income</p>

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<p>corresponding three-month period in the immediately preceding financial year</p> <p><i>See section 6 of the Blanket Order</i></p> <p><i>See also:</i></p> <p><i>Paragraph 4.3(2)(c) of NI 51-102</i></p>	<p>for the three-months ended June 30 and comparative financial information for the corresponding three-month period in the immediately preceding financial year will not be required).</p>
<p>An eligible issuer is exempt from the requirement to deliver interim financial reports and MD&As for each of the three and nine-month interim periods of its financial year</p> <p><i>See section 7 of the Blanket Order</i></p> <p><i>See also:</i></p> <ul style="list-style-type: none"> • <i>Subsection 4.6(3) of NI 51-102</i> • <i>Subsection 5.6(1) of NI 51-102</i> 	<p>The Blanket Order provides an exemption to issuers from the requirement to deliver an interim financial report and related MD&A where such documents are not required to be filed.</p>
<p>An eligible issuer is exempt from certain MD&A form requirements</p> <p><i>See sections 8 and 9 of the Blanket Order</i></p> <p><i>See also:</i></p> <ul style="list-style-type: none"> • <i>Item 1.5 of Form 51-102F1</i> • <i>Item 1.10 of Form 51-102F1</i> • <i>Item 2.2(a)(i) of Form 51-102F1</i> 	<p><i>Item 1.5 and Item 1.10</i></p> <p>We are of the view that it is appropriate to exempt issuers participating in the SAR Pilot from these requirements in their entirety to further reduce burden for such issuers.</p> <p>Therefore, an issuer that opts into the SAR Pilot will not be required to provide (i) a summary of quarterly results, and related discussion, for each of the eight most recently completed quarters and (ii) a discussion and analysis of events or items in the fourth quarter.</p> <p><i>Item 2.2(a)(i)</i></p>

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	<p>This exemption is applicable to the MD&A for the six-month interim period.</p> <p>For example, an issuer with a December 31 year end will only be required to include in its MD&A for the six-month interim period, a discussion of its analysis of year-to-date results including a comparison of financial performance to the corresponding period in the previous year for the six-months ended June 30.</p> <p>Therefore, an issuer that opts into the SAR Pilot will not be required to include in its interim MD&A a discussion of its analysis of current quarter results including a comparison of financial performance to the corresponding period in the previous year for the three-months ended June 30.</p>

Additional Conditions and Restrictions

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<p>An issuer cannot rely on the exemptions in the Blanket Order if in the last 12 months it had stopped relying on the exemptions in the Blanket Order</p> <p><i>See paragraph 5(f)(iii) of the Blanket Order</i></p>	<p>The intent of this condition is to prohibit issuers from opting in and out of the SAR Pilot. We think it would create confusion in the market, especially for investors, if an issuer frequently changes the cadence of when it reports interim financial results.</p> <p>Issuers are not considered to have stopped relying on the exemptions in the Blanket Order for the purposes of paragraph 5(f)(iii) if, in connection with a prospectus offering or other transaction (i.e. circular), they prepare and file interim financial disclosure as required under NI 51-102.</p>
<p>An issuer must file a news release announcing its intention to rely on the exemptions in the Blanket Order</p> <p><i>See subsection 5(g) of the Blanket Order</i></p>	<p>An issuer intending to rely on the Blanket Order must file a news release with the information specified in the Blanket Order. The news release will provide transparency to the market about the issuer's future filings and allows investors and intermediaries to set their expectations for the timing of future interim financial reporting. As a result, an issuer should consider filing the news</p>

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	<p>release as early as possible indicating that it does not intend to file an interim financial report and related MD&A.</p> <p>In addition, issuers relying on the exemptions in the Blanket Order should consider prominently disclosing their reliance on the exemptions in their ongoing continuous disclosure, for example in their MD&A.</p>
<p>An issuer must cease relying on the exemptions in the Blanket Order if it has changed its financial year-end</p> <p><i>See subsection 10(a) of the Blanket Order</i></p>	<p>Changes in financial year-end while relying on the Blanket Order may result in significant periods with no financial disclosure.</p> <p>We note that where an issuer relying on the exemptions in the Blanket Order changes its financial year-end for any reason, including a restructuring transaction, this may create unique circumstances impacting their transition year and interim period under the SAR Pilot. If an issuer has been relying on the exemptions in the Blanket Order and intends to change its financial year-end, such issuer is encouraged to contact their principal regulator to discuss staff's expectations.</p>
<p>An issuer must cease relying on the exemptions in the Blanket Order if it has filed a base shelf prospectus</p> <p><i>See subsection 10(b) of the Blanket Order</i></p> <p>An issuer relying on the exemptions in the Blanket Order must not file a shelf prospectus supplement under a base shelf prospectus that was filed prior to its adoption of the SAR Pilot</p> <p>An issuer relying on the exemptions in the Blanket Order must not distribute securities under an existing shelf prospectus supplement</p>	<p>As outlined above, the SAR Pilot does not alter the disclosure required in the context of a prospectus offering. Accordingly, the SAR Pilot is not compatible with continuous distributions under shelf prospectuses.</p> <p>A shelf prospectus supplement can be filed at any time over the life of a base shelf prospectus. Base shelf prospectuses are also used by issuers to, among other things, conduct continuous offerings (e.g., at-the-market distributions). The SAR Pilot is not compatible with the filing of shelf prospectus supplements.</p>

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<p><i>See section 11 of the Blanket Order</i></p>	
<p>The exemptions in the Blanket Order do not apply in respect of financial disclosure required in a short form prospectus, an information circular, take-over bid circular or an issuer bid circular</p> <p><i>See section 12 of the Blanket Order</i></p>	<p>The SAR Pilot is intended to be a pilot project to reduce burden in respect of continuous disclosure requirements. The SAR Pilot does not alter prospectus or prospectus-level disclosure required in the context of a prospectus offering or a circular.</p> <p>The conditions of the Blanket Order require an issuer that files a short form prospectus, information circular, take-over bid circular or issuer bid circular to include the most recent interim financial disclosure in the form required by NI 51-102.</p> <p><i>Prospectus</i></p> <p>While an issuer is in a period of distribution under a short form prospectus and interim financial disclosure becomes due, the issuer cannot rely on the exemptions of the Blanket Order. Such issuers must file the interim financial report and related MD&A in accordance with NI 51-102 which would then be deemed to be incorporated by reference in the short form prospectus. Issuers that file such interim financial disclosure are not considered to have stopped relying on the exemptions in the Blanket Order for the purposes of paragraph 5(f)(iii) of the Blanket Order. Once an issuer has completed a prospectus offering, it may continue to rely on the exemptions in the Blanket Order if, following the closing of the distribution, it continues to meet the eligibility requirements.</p> <p>We believe this approach will maintain the integrity of the short form prospectus disclosure system, facilitate comparisons between similar issuers and provides SAR participating issuers with flexibility to raise capital and conduct business operations.</p> <p><i>Circular</i></p> <p>Pursuant to section 12 of the Blanket Order, the exemptions in the Blanket Order do not apply to documents related to restructuring transactions (as defined in NI 51-102), including reverse takeovers.</p>

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	<p>Any circular required in connection with a restructuring transaction must include the most recent interim financial report and related MD&A required to be filed pursuant to NI 51-102. Any interim financial disclosure filed as part of a circular would not be required to be filed separately as a continuous disclosure document on SEDAR+. Issuers that prepare and file such interim financial disclosure are not considered to have stopped relying on the exemptions in the Blanket Order for the purposes of paragraph 5(f)(iii) of the Blanket Order and may continue to rely on the exemptions in the Blanket Order upon closing of the transaction, if, following the closing of the transaction such issuer continues to meet the eligibility criteria in the Blanket Order.</p> <p>A successor issuer resulting from a restructuring transaction may not rely on the continuous disclosure record of the predecessor issuer for the determination of the 12-month reporting issuer history requirement under subsection 5(a) of the Blanket Order.</p> <p>Issuers planning to file a short form prospectus or a circular while relying on the Blanket Order are encouraged to contact their principal regulator to discuss staff's expectations for financial disclosure.</p>
<p>An issuer that has filed a short form prospectus must not rely on the exemptions in the Blanket Order during the period of distribution</p> <p><i>See section 13 of the Blanket Order</i></p>	<p>As outlined above, the SAR Pilot does not alter the disclosure required in the context of a prospectus offering.</p> <p>Accordingly, if an issuer has filed a short form prospectus and has not closed its offering by the filing deadline for a subsequent interim period, the issuer must prepare, and file interim financial disclosure as required under NI 51-102. Such interim financial disclosure would be deemed incorporated by reference into the issuer's prospectus by virtue of the language required to be included in a short form prospectus under item 11.2 of Form 44-101F1 <i>Short Form Prospectus</i>.</p>

Additional Guidance for Issuers that Cease Relying on the Quarterly Reporting Exemption

Key Element	Commentary
Comparative Financial Information	Issuers that cease relying on the Quarterly Reporting Exemption are required to comply with all quarterly financial reporting requirements including comparative financial information for the corresponding period in the immediately preceding financial year as required by NI 51-102.
Disclosure when Ceasing to Rely on the Quarterly Reporting Exemption in the Blanket Order	In circumstances where an issuer determines it cannot or will not continue relying on the Quarterly Reporting Exemption, it should consider issuing and filing a news release on SEDAR+ informing investors and intermediaries that it will cease relying on the Quarterly Reporting Exemption in the Blanket Order and indicate the timing for the next expected interim period for which interim financial reports and related MD&As will be filed.