

Form 51-103F1
Annual And Interim Reports

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Form 51-103F1
Annual And Interim Reports

PART 1 INSTRUCTIONS

1. Overview of Annual and Interim Reports

Audited annual financial statements and associated management's discussion and analysis are an integral part of a venture issuer's annual report. An annual report also describes the venture issuer's operations, prospects and risks and provides disclosure about its directors, executive officers, governance, executive compensation and related entity transactions. The specific requirements for the content of an annual report are in Parts 2 – 7, 9 and 10.

An interim report consists primarily of the interim financial report and quarterly highlights. The specific requirements for the content of an interim report are in Part 8.

The last part of this form includes a disclosure certificate that must be signed by the chief executive officer and chief financial officer and included in an annual report and an interim report. By signing the certificate, the chief executive officer and chief financial officer certify that there is no misrepresentation in the report and that the report as a whole fairly presents, in all material respects, the venture issuer's financial condition, financial performance and cash flows for the period covered.

2. Focus on Material Information

In preparing a report, focus the disclosure on information that is material. In determining whether or not a particular matter is material, consider whether disclosing, omitting or misstating the relationship, transaction, agreement, plan or other information would likely influence or change a reasonable investor's decision as to whether or not to buy, sell or hold a security in the capital of the venture issuer. You do not need to disclose information that is not material.

Guidance:

For purposes of item 17(2), venture issuers should refer to section 2.4 of Companion Policy 43-101CP Standards of Disclosure for Mineral Projects for a discussion of "materiality" in the mining context.

For purposes of item 30(4), disclose all orders, bankruptcies, penalties and sanctions.

3. Guidelines for Management's Discussion and Analysis

Management's discussion and analysis must provide an explanation of the venture issuer's financial performance during the most recently completed financial year and a comparison to the prior financial year. A repetition of the information provided in the financial statements or a summary of the financial statement changes as compared to the prior financial year is not

sufficient. Changes in the venture issuer's financial performance and financial condition must be explained. Avoid boilerplate discussion.

The purpose of management's discussion and analysis is to explain how management views the venture issuer's prospects and explain the methods by which management evaluates the venture issuer's business, including the key indicators it uses and the analysis performed. It must discuss information that may not be clearly or fully reflected in the financial statements, for example, contingent liabilities, defaults under debt, off-balance sheet financing arrangements, and other contractual commitments.

If a venture issuer completed a reverse-takeover in the last two completed financial years or subsequent to the completion of the most recently completed financial year, the disclosure required for the venture issuer by sections 17 to 21 must be based on the reverse-takeover acquirer's financial statements and interim financial reports.

4. Quarterly Highlights

The purpose of the quarterly highlights reporting is to obtain a brief narrative update about the business activities and financial position of the venture issuer. Provide a short, focused discussion that gives an accurate picture of the venture issuer's business activities during the interim period.

If there was a change to the venture issuer's accounting policies during the quarter, include a description of the material effects resulting from the change.

5. Defined Terms

For terms used in this form that are not defined in the form, refer to the Instrument and, if not defined in the Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

Guidance:

This form also uses accounting terms that are defined, or referred to, in Canadian GAAP applicable to publicly accountable enterprises. See the Guidance following section 1 of the Instrument.

6. Repetition and Incorporating Information by Reference

Unless indicated otherwise in this form, it is not necessary to repeat disclosure that the venture issuer has provided elsewhere in the form.

Incorporating material into this form by reference is not permitted, unless expressly stated.

Despite the above restriction, a capital pool company may incorporate by reference the disclosure required by sections 16 and 17 of this form from its initial public offering prospectus if that

disclosure continues to provide all material facts in respect of the corporate structure and description of the business for the capital pool company. To refer to previously disclosed information, provide a cross-reference, stating the name and date of that other document and that it is available on SEDAR at www.sedar.com. Also include a statement that the applicable disclosure is incorporated by reference into this report. If the other disclosure document is lengthy, indicate the location of the relevant information in the other document.

Guidance:

The annual report, in particular, should provide a complete annual disclosure record for the venture issuer with very limited information incorporated by reference. The goal is to provide investors with one disclosure document that is as complete as possible.

7. Plain Language

Use plain, easy to understand language in preparing a report. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

8. Format

Unless otherwise stated, the numbering, headings and ordering of the items included in this form are only guidelines and do not need to be used in the report. To make the report easier to understand, present information in tables and, where possible, state amounts in figures.

9. Omitting Information

Unless this form indicates otherwise, it is not necessary to respond to an item in this form if it does not apply to the venture issuer.

10. Date of Information

Unless this form indicates otherwise, present the information in the annual report as at the last day of the venture issuer's most recently completed financial year and the information in the interim report as at the last day of the most recently completed interim period.

If presenting information as at the end of the financial period creates a misleading picture of the venture issuer's business, operations or outstanding securities, update that information to the date of filing and clearly indicate the date to which the information is current. The accompanying disclosure certificate must be dated as of the date the report is filed.

11. Forward-Looking Information

Any forward-looking information provided in a report must comply with section 39 of the Instrument.

12. Available Prior Period Information

If comparative financial information is not presented in the venture issuer's annual financial statements or interim financial report, provide in the management's discussion and analysis or quarterly highlights, as applicable, the prior period information relating to financial performance that is available.

13. Use of "Financial Condition"

This form uses the term "financial condition". Financial condition reflects the overall health of the venture issuer and includes the venture issuer's financial position, as shown on the statement of financial position, and other factors that may affect the venture issuer's liquidity, capital resources and solvency.

14. Table of Contents

Include a table of contents with an annual report.

PART 2 DISCLOSURE OF BUSINESS

15. Cover Page

- (1) On or near the front or back of the annual report, disclose each of the following:
 - (a) the venture issuer's full legal name and any other name under which it carries on business;
 - (b) the laws under which the venture issuer is incorporated, continued or otherwise created and exists;
 - (c) the venture issuer's registered address and head office address, and the venture issuer's website address, if one exists;
 - (d) the name and title of an executive officer of the venture issuer who can be contacted for inquiries regarding the report, including a current telephone number and, if available, an email address for that person;
 - (e) the name of the venture issuer's auditor;
 - (f) the name and address of the venture issuer's registrar and transfer agent;
 - (g) the name of each marketplace on which, to the knowledge of the executive officers of the venture issuer, any of the venture issuer's securities trade or are listed or quoted and the stock or ticker symbol, if applicable, under which the securities trade on each such marketplace.

- (2) Include the following statement in bold type on the cover page of the annual report:

“[Insert name of venture issuer] is a venture issuer subject to the governance and disclosure regime applicable to venture issuers under National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*. Consequently, it is not required to provide certain disclosure applicable to issuers that are not venture issuers, such as management’s discussion and analysis for interim periods. Further, although management is responsible for ensuring processes are in place to provide them with the information they need to comply with disclosure obligations on a timely basis, [insert name of venture issuer] is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting. [Insert name of venture issuer] will also be subject to certain other obligations not applicable to issuers that are not venture issuers.

This disclosure provided by [insert name of venture issuer] will not necessarily be comparable in some ways to that provided by issuers that are not venture issuers.”

- (3) If the annual report or interim report is a revised report, identify it as a “revised” report.

16. Corporate Structure

- (1) Disclose the relationship between the venture issuer and each subsidiary and each party with whom the venture issuer participates in a joint venture or partnership. If it would be useful to a reasonable investor in understanding the relationship, include a diagram.
- (2) For each subsidiary disclose each of the following:
- (a) the percentage of votes that the venture issuer beneficially owns, or directly or indirectly controls or directs;
 - (b) the percentage of each class of restricted securities that the venture issuer beneficially owns, or directly or indirectly controls or directs, if any;
 - (c) the laws under which it was incorporated, continued or otherwise created.
- (3) For each joint venture or partnership disclose the following:
- (a) a description of the voting control over the joint venture or partnership and the material decisions relating to management, operation and continuation of the joint venture or partnership that the venture issuer may directly or indirectly control or direct;

- (b) for a joint venture, the nature of the joint venture, the agreement or agreements under which it operates and, if applicable, the laws under which it was incorporated, continued or otherwise created;
- (c) for a partnership, the agreement or agreements under which it operates and the laws under which it was created.

17. Business Description

(1) General – Disclose each of the following:

- (a) the venture issuer's industry and a description of its current business and its operating segments that are reportable segments as those terms are described in the issuer's GAAP;
- (b) the number of employees, and the number of consultants retained on an on-going basis, of the venture issuer;
- (c) the principal location(s) of the venture issuer's business.

Guidance:

Examples of aspects of a venture issuer's business to disclose include:

- *the actual or proposed method of production or the actual or proposed method of providing services;*
- *any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to the venture issuer;*
- *the competitive conditions in the venture issuer's principal markets and geographic areas, including an assessment of the venture issuer's competitive position;*
- *the status of any new product that has been announced;*
- *the sources, pricing and availability of raw materials, component parts or finished products;*
- *the existence and importance of brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, to the venture issuer and its industry;*
- *the extent to which the business of a reportable segment of the venture issuer's business is cyclical or seasonal;*
- *contracts upon which the venture issuer's business is substantially dependent;*
- *any reasonably anticipated changes in the business as a result of renegotiation or termination of contracts or sub-contracts, and the likely effect;*
- *financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of the venture issuer in the current financial year and those expected in future years;*
- *dependence on foreign operations;*
- *investment policies and lending and investment restrictions.*

- (2) **Venture Issuers with Mineral Projects** - If the venture issuer had a mineral project, provide a summary of the following information for each project material to the venture issuer:
- (a) **Current Technical Report** - The title, author or authors, and date of the most recent technical report on the property, if any, filed in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
 - (b) **Project Description, Location, and Access**
 - (i) The location of the project and means of access;
 - (ii) The nature and extent of the venture issuer's title to or interest in the project, including surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences, and other property tenure rights;
 - (iii) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject;
 - (iv) To the extent known, any significant factors or risks that may affect access, title or the right or ability to perform work on the property, including permitting and environmental liabilities to which the project is subject;
 - (c) **History**
 - (i) To the extent known, a summary of the prior exploration and development of the property, including the type, amount, and results of the exploration work undertaken by previous owners, any significant historical estimates, and any previous production on the property;
 - (ii) If the venture issuer acquired a project within the three most recently completed financial years or during the current financial year from, or intends to acquire a project from, a related entity, the name of the vendor, the relationship of the vendor to the venture issuer, and the consideration paid or intended to be paid to the vendor;
 - (iii) To the extent known, the name of every person or company that has received or is expected to receive a greater than 5% interest in the consideration received or to be received by the vendor referred to in subparagraph (ii);

- (d) **Geological Setting, Mineralization, and Deposit Types**
 - (i) The regional, local, and property geology;
 - (ii) The 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;
 - (iii) The mineral deposit type or geological model or concepts being applied;
- (e) **Exploration** - The nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of the venture issuer, including a summary and interpretation of the relevant results;
- (f) **Drilling** - The type and extent of drilling and a summary and interpretation of all relevant results;
- (g) **Sampling, Analysis, and Data Verification** - The 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) assaying and analytical procedures used and the relationship, if any, of the laboratory to the issuer, and
 - (iv) quality control measures and data verification procedures, and their results;
- (h) **Mineral Processing and Metallurgical Testing** - If mineral processing or metallurgical testing analyses have been carried out, discuss the nature and extent of the testing and analytical procedures, and provide a summary of the relevant results and, to the extent known, any processing factors or deleterious elements that could have a significant effect on potential economic extraction;
- (i) **Mineral Resource and Mineral Reserve Estimates** - 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;
- (j) **Mining Operations** - For advanced properties, 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;
- (k) **Processing and Recovery Operations** – For advanced properties, 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;
- (l) **Infrastructure, Permitting, and Compliance Activities** – For advanced properties,
- (i) the infrastructure and logistic requirements for the project, and
 - (ii) the reasonably available information on environmental, permitting, and social or community factors related to the project;
- (m) **Capital and Operating Costs** – For advanced properties,
- (i) a summary of capital and operating cost estimates, with the major components set out in tabular form, and
 - (ii) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (2) to Item 22 of Form 43-101F1;
- (n) **Exploration, Development, and Production** - A description of the venture issuer's current and contemplated exploration, development or production activities.

- (3) To the extent a venture issuer has a technical report that supports the disclosure required under subsection 17(2), the venture issuer may satisfy the disclosure requirements in subsection 17(2) by reproducing the summary from the technical report on the material property, and incorporating the detailed disclosure in the technical report into the annual report by reference.

Guidance:

- (1) *Disclosure regarding mineral exploration, development or production activities on material projects is subject to National Instrument 43-101 Standards of Disclosure for Mineral Projects, which requires a venture issuer to use the appropriate terminology to describe mineral reserves and mineral resources. A venture issuer must base its disclosure on information prepared by, under the supervision of, or approved by, a qualified person.*
- (2) *The disclosure required by this form will not trigger the filing of a technical report under National Instrument 43-101 Standards of Disclosure for Mineral Projects unless section 4.2(1)(j) of that instrument applies. However, if a technical report has not been prepared, the disclosure must still be prepared by or under the supervision of a “qualified person”, as defined in that instrument.*
- (3) *If a venture issuer intends to use the annual report as a base disclosure document for accessing the short form prospectus system under National Instrument 44-101 Short Form Prospectus Distributions then, subject to available exemptions in National Instrument 43-101 Standards of Disclosure for Mineral Projects, the filing of a preliminary short form prospectus under National Instrument 44-101 Short Form Prospectus Distributions will trigger a requirement to file a technical report.*
- (4) **National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities** – A venture issuer subject to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* must
 - (a) include in its annual report the disclosure required by section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*,
 - (b) comply with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* if any voluntary disclosure of resources is provided, and
 - (c) to the extent not reflected in the information required by section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, 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 the venture issuer’s most recently completed financial year end.

Guidance:

National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities requires venture issuers to disclose reserves and resources using the appropriate terminology and categories as prescribed by the “COGE Handbook”, as that term is defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

- (5) **Issuers with Products and Services** – Describe each product or service, produced, distributed or provided by the venture issuer.

Guidance:

Examples of information to disclose about products and services are

- *principal markets,*
- *distribution methods,*
- *the revenue for each category of product or service as percentage of total consolidated revenues, and the extent to which revenues are derived from sales or transfers to related entities, and*
- *the stage of development of the product or service and, if applicable, steps needed to reach commercial production, and an estimate of costs and timing.*

- (6) **Issuers Engaged in Research and Development** – Describe each of the venture issuer’s products or services that are in the research or development phase and are expected to form a significant part of the venture issuer’s business, including:

- (a) the stage of research or development;
- (b) who is conducting the research or development;
- (c) the estimated timeline and cost to completion;
- (d) the proposed markets and distribution channels;
- (e) the anticipated sources of competition;
- (f) whether contracts exist with major suppliers or customers.

18. Two Year History and Management’s Discussion and Analysis in an Annual Report

- (1) **Development of business** - Describe how the venture issuer’s business has developed over the last two completed financial years, including acquisitions and dispositions and a discussion of changes and industry and economic conditions that have influenced the general development of the business whether favourably or unfavourably.
- (2) **Management’s Assessment of Performance** – Disclose management’s assessment of how the venture issuer performed during the most recently completed financial year and how it compares to the prior financial year. Discuss why the venture issuer performed as it did by reference to the principal influencing factors:

- (a) using financial measures from the issuer's GAAP, such as profit or loss, cash flows from operating activities, net assets and earnings per share, discuss the venture issuer's financial condition, changes in financial condition and financial performance in the last financial year, comparing it to the previous financial year;
- (b) include in the discussion
 - (i) significant elements of profit or loss that do not arise from the venture issuer's continuing operations and the effect on current or future operations,
 - (ii) causes for any significant changes from period to period in one or more line items of the venture issuer's annual financial statements,
 - (iii) the effect of changes in accounting policies;
- (c) include a discussion of key operating statistics and performance measures that management and industry typically use to assess performance of the venture issuer's business and similar businesses.

Guidance

- (1) *To the extent that any of the key operating statistics and performance measures in (2)(c) are "non-GAAP financial measures", refer to the CSA Staff Notice 52-306 Non-GAAP Financial Measures and Additional GAAP Measures for further guidance about how to disclose these items.*
- (2) *Examples of statistics might include, depending on the industry, revenues, gross margin, EBITDA (earnings before interest, tax, depreciation and amortization), levels of production, average price per barrel, netbacks, finding costs, and operating costs per unit of production.*
- (3) **Issuers without Significant Operating Revenue** - If the venture issuer has not had significant revenue from operations,
 - (a) disclose in table format, for each of the 2 most recently completed financial years, unless already disclosed in the annual financial statements, a breakdown of the significant components of
 - (i) exploration and evaluation assets or expenditures,
 - (ii) expensed research and development costs,
 - (iii) intangible assets arising from development,

- (iv) general and administration expenses, and
 - (v) any material costs, whether expensed or recognized as assets, not referred to above,
- (b) for a venture issuer whose primary business is mining exploration and development, present the information required by paragraph (a) on a property-by-property basis, and
- (c) for a venture issuer in the exploration, research or development stage, provide a comparison of the amount spent on executive compensation and general and administrative expenses, whether expensed or capitalized, to, as applicable,
- (i) exploration and evaluation assets or expenditures, whether expensed or capitalized, and
 - (ii) research and development costs, whether expensed or capitalized.
- (4) **Actual Use of Financing Proceeds** - Unless previously disclosed, include a table comparing disclosure previously made by the venture issuer about how it was going to use financing proceeds to actual use of such funds, an explanation of any variances and a discussion of the impact of the variances, if any, on the venture issuer's ability to achieve its business objectives and performance targets.
- (5) **Liquidity and Capital Resources** - Disclose each of the following:
- (a) internal and external sources of liquidity, including
 - (i) financing resources reasonably anticipated to be available to the venture issuer, including debt, equity and other financing resources,
 - (ii) working capital requirements and, if a working capital deficiency exists or is reasonably anticipated, the impact of that deficiency on the operations of the venture issuer and how the deficiency is anticipated to be remedied, and
 - (iii) whether the venture issuer reasonably expects to have sufficient funds to maintain activities and fund planned growth or development activities;
 - (b) the amount, nature and purpose of material commitments for capital expenditures, including any exploration and development or research and development expenditures or contractual payments necessary to maintain properties or agreements in good standing and the expected sources of funds for such expenditures;

- (c) defaults or arrears or anticipated defaults or arrears on debt covenants or payments required under contractual commitments such as lease payments and debt and how the venture issuer intends to cure the defaults or arrears or address the risk of anticipated defaults or arrears;
- (d) any known trends, events or uncertainties that are reasonably likely to have a material impact on the venture issuer's
 - (i) short term or long-term liquidity,
 - (ii) revenue or profit or loss from continuing operations, and
 - (iii) debt, equity or other available financing resources.

19. Business Objectives, Performance Targets and Milestones

- (1) Describe in table format, if practicable, the venture issuer's short-term (next 12 months) business objectives, key performance targets and milestones, as applicable, and how it plans to meet those objectives, performance targets and milestones including each of the following:
 - (a) identification of each of the objectives, performance targets and milestones to be achieved;
 - (b) when the objective, performance target or milestone is anticipated to be achieved or, if not known, the estimated number of months to complete it;
 - (c) an estimate of the funds required to accomplish each objective, performance target or milestone;
 - (d) the anticipated source(s) of funds to accomplish the objective, performance target or milestone.

Guidance:

Examples of objectives, performance targets and milestones include the purchase or sale of significant property or equipment, as well as research, exploration or development work, expansion plans, productivity improvements and hiring of a significant number of new employees.

- (2) Despite subsection (1), a venture issuer must only disclose objectives, performance targets or milestones which are possible to achieve; if a venture issuer does not yet have achievable objectives, performance targets or milestones, the venture issuer must disclose this fact.

Guidance

Securities regulatory authorities are of the view that, in most instances, a venture issuer would have achievable objectives, performance targets or milestones.

- (3) If the venture issuer has not yet generated significant operating revenue and is developing a significant project or a product or service, the development of which will extend beyond 12 months, describe
 - (a) objectives, performance targets and milestones, as applicable, for development,
 - (b) the status of development,
 - (c) expenditures made to date relative to those objectives, performance targets and milestones, and
 - (d) further expenditures required to reach the next stage of the development plan.
- (4) If it would be useful to a reasonable investor, provide a graph or table to illustrate the performance targets or stages of development and the venture issuer's current status.

Guidance:

- (1) *When providing forward-looking information in response to the requirements of this section, it is necessary to comply with the requirements of section 39 of the Instrument.*
- (2) *Venture issuers should consider whether to include disclosure to investors advising of the risks and difficulties associated with providing forward-looking information and that despite the venture issuer's reasonable beliefs regarding its objectives, performance targets and milestones and its efforts to achieve those, there can be no assurance that it will achieve those objectives, performance targets or milestones in the time frames outlined, for the amounts estimated, or at all.*
- (3) *In disclosing forward-looking information, venture issuers should consider that*
 - (a) *securities legislation contains secondary market civil liability provisions which create a statutory right of action on the part of persons or companies who relied on the forward-looking information if the forward-looking information contains a misrepresentation, and*
 - (b) *securities legislation may provide a defence to liability where there was a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information and there is a statement proximate to the forward looking information which contains reasonable cautionary language identifying the forward-looking information and the material factors that could cause results to differ materially from it as well as a statement*

of material factors or assumptions that were applied in drawing the conclusion or making the forecast or project set out in the forward-looking information.

- (4) *In an effort to develop a potential defence to a secondary market civil liability claim, venture issuers complying with this section should*
- (a) *confirm that there appears to be a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information, and*
 - (b) *ensure that a statement proximate to the forward-looking information is made which contains reasonable cautionary language which*
 - (i) *identifies the forward-looking information,*
 - (ii) *identifies the material factors that could cause actual results to differ materially from the forward-looking information, and*
 - (iii) *states the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection in the forward-looking information.*

20. Off-Balance Sheet Arrangements

- (1) If the venture issuer has any off-balance sheet arrangement that has or is reasonably likely to have, a current or future effect on the venture issuer's financial performance or financial condition, including, without limitation, liquidity and capital resources then provide the disclosure required for off-balance sheet arrangements under item 1.8 of Form 51-102F1 *Management's Discussion and Analysis* as if the issuer were a "senior-unlisted issuer", as defined in National Instrument 51-102 *Continuous Disclosure Obligations* to which Form 51-102F1 *Management's Discussion and Analysis* applies.
- (2) For the purpose of this section, an off-balance sheet arrangement includes any contractual arrangement that is not reported on a consolidated basis by the venture issuer under which the venture issuer has any of the following:
- (a) any obligation under certain guarantee contracts;
 - (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;
 - (c) any obligation under certain derivative instruments;
 - (d) any obligation held by the venture issuer in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the venture issuer, or

engages in leasing, hedging activities or, research and development services with the venture issuer.

21. Significant Equity Investee

- (1) A venture issuer that has a significant equity investee must disclose
 - (a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss, and
 - (a) the venture issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the venture issuer's share of profit or loss;
- (2) Provide the disclosure in subsection (1) for the following periods:
 - (a) the 2 most recently completed financial years;
 - (b) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report included in the prospectus, if any.
- (3) Subsection (1) does not apply if
 - (a) the information required under that subsection has been disclosed in the financial statements included in the annual report, or
 - (b) the issuer files separate financial statements of the equity investee for the periods referred to in subsection (2).

Guidance:

Securities regulators will generally consider an equity investee to be significant to a venture issuer if, using the financial statements of the equity investee and the venture issuer as at their respective most recently completed financial year ends, the venture issuer's

- (a) *proportionate share of the consolidated assets of the equity investee exceeds 40% of the consolidated assets of the venture issuer, or*
- (b) *consolidated investments in and advances to the equity investee exceeds 40% of the consolidated assets of the venture issuer.*

22. Forward-Looking Information, Future Oriented Financial Information and Financial Outlooks

(1) If a venture issuer previously disclosed material forward-looking information to the public, other than forward-looking information referred to in section 39(5) of the Instrument, disclose either

- (a) both of the following:
 - (i) all events or circumstances that have occurred in the period to which the annual report or interim report relates that are reasonably likely to cause actual results to differ materially from the previously publicly disclosed material forward-looking information for a financial period that is not yet complete, and, if so, the expected differences of those events or circumstances;
 - (ii) if the forward-looking information was a financial outlook or future oriented financial information, any material differences from actual results for the period to which the annual report or interim report relates, or
- (b) the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.

Guidance:

- (1) *For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a press release, in a newspaper, magazine or other publication generally available to the public or published on a website or in marketing material.*
- (2) *The following is an example of disclosure that must be updated: a venture issuer published future oriented financial information for the current year assuming no change in the prime interest rate, but by the end of the second quarter the prime interest rate increased by 2%. In its disclosure for the second quarter, the venture issuer should discuss the interest rate increase and its expected effect on results compared to those indicated in the previously disclosed future oriented financial information.*
- (3) *A venture issuer should also consider whether the events and circumstances that trigger updating this disclosure also trigger material change reporting under Part 5 of the Instrument.*
- (4) *Under (a)(ii) a venture issuer should disclose and discuss material differences for material individual items included in the future oriented financial information or financial outlook, including assumptions.*

(5) *For example, if the actual dollar amount of revenue approximates forecasted revenue but the sales mix or sales volume differs materially from what the venture issuer expected, the venture issuer should explain the differences.*

- (2) If, during the period to which an annual report or interim report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, disclose either
- (a) the withdrawal and explain the reasons for the withdrawal, including the assumptions for the forward-looking information that are no longer valid, or
 - (b) the date of a news release that has been filed that contains the information in paragraph (a), and stating that it is available at www.sedar.com.

23. Risk Factors - Disclose the risk factors of the venture issuer, by first identifying the risks that are most significant to the venture issuer.

Guidance:

Examples of possible risk factors include:

- *lack of specific management, experience or technical knowledge required for the type of business,*
- *management's regulatory and business track record,*
- *environmental and health risks and related penalties, sanctions or required remediation,*
- *existing and anticipated litigation,*
- *legal issues or uncertainty with respect to property rights or ability to conduct business,*
- *need for regulatory or government permits or approvals and regulatory constraints,*
- *lack of or limited market for product or services or significant competition,*
- *economic or political conditions, including instability and uncertain political and legal regimes in area of operations,*
- *dependence on financial viability of a guarantor or principal suppliers, customers or other creditors,*
- *securityholders becoming liable to make additional contributions beyond the price of the security,*
- *cash flow and liquidity problems, including lack of or limited history of revenues or profits,*
- *need for additional financing and/or insufficiency of current funds to accomplish business objectives, and*
- *limited personnel and/or reliance on key personnel, suppliers, customers or agreements.*

24. Legal and Regulatory Proceedings

- (1) Disclose any legal proceedings involving the venture issuer or any of its properties that are known to exist, are reasonably contemplated, or existed during the most recently completed financial year, and include the nature of the claim, the principal parties

involved, the court, agency or regulatory authority to hear the claim, the date of filing of the claim, the amount of the claim and the status of the claim.

- (2) Disclose all of the following:
 - (a) penalties or sanctions relating to securities legislation imposed against the venture issuer by a court or securities regulatory authority during the most recently completed financial year;
 - (b) any other penalties or sanctions imposed by a court, regulatory body or SRO against the venture issuer during the most recently completed financial year that would likely be considered important to a reasonable investor in making an investment decision;
 - (c) settlement agreements relating to securities legislation entered into by the venture issuer with a court or securities regulatory authority during the most recently completed financial year.

Guidance

The term "SRO" is defined in National Instrument 14-101 Definitions and includes self-regulatory organizations, self-regulatory bodies and exchanges.

25. Material Contracts - List each material contract required to be filed under paragraph 36(1)(e) of the Instrument to which either or both of the following apply:

- (a) it was entered into by the venture issuer since the start of the most recently completed financial year;
- (b) it is still in effect.

PART 3 OUTSTANDING SECURITIES AND TRADING INFORMATION

26. Outstanding, Escrowed and Fully-Diluted Securities

- (1) Using the following table format, provide as at the latest practicable date, all of the following information about voting or equity securities of the venture issuer, including convertible or exchangeable securities that may be converted or exchanged into voting or equity securities:
 - (a) the number of each type of security outstanding;
 - (b) the number and type of each outstanding security subject to escrow, pooling, lock-up or similar agreement or arrangement and the percentage that number represents of the total number of such securities outstanding;

- (c) the number of equity and voting securities that would be outstanding on a fully-diluted basis if all convertible or exchangeable securities that may be converted or exchanged into voting or equity securities were converted or exchanged;
- (d) If the number of voting or equity securities that are issuable on conversion is not determinable, disclose the maximum number of each type of voting or equity securities that are issuable on the conversion and, if that maximum number is not determinable, describe the conversion features and the manner in which the number of voting or equity securities will be determined.

Type of security	Number outstanding as at latest practicable date	Number and percentage subject to escrow, lock-up, pooling etc.	Number of equity and voting securities outstanding on a fully-diluted basis

- (2) Disclose the date at which the information in the table is provided.
- (3) Add notes to the table to describe the material terms of the securities, such as special voting rights, preference to dividends, retraction or redemption rights, conversion rights, option and warrant exercise prices, and expiry dates.
- (4) Add notes to the table to describe the material terms of any escrow, lock-up, pooling or similar arrangement or agreement, including the name of any escrow agent and the release terms and release date(s).
- (5) Despite paragraph (1)(b) and subsection (4), securities subject to contractual restrictions on transfer as a result of pledges made to lenders are not required to be disclosed.
- (6) If the venture issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable into or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, provide the disclosure required by Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations* as if the issuer were a “senior-unlisted issuer”, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*.

27. Founders, Principal Securityholders and Control Persons - To the extent reasonably ascertainable, identify each founder who was a founder during the most recently completed financial year, each principal securityholder and each control person and disclose the number and type of securities of the venture issuer that are beneficially owned or directly or indirectly controlled by each.

28. Reporting Insiders - Identify each person or company, other than executive officers of the venture issuer, that, to the venture issuer's knowledge, is or was, during the most recently completed financial year a "reporting insider", as that term is defined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions*, of the venture issuer.

29. Trading Price and Volume

- (1) For each class of securities of the venture issuer that is traded or quoted on a published market
 - (a) identify the market on which the largest volume of trading or quotation generally occurs, and
 - (b) provide each of the following for the most recently completed financial year:
 - (i) the price ranges (high and low) at which the securities traded;
 - (ii) the volume traded or quoted on that market.
- (2) If the securities do not trade on a market that has a published market, disclose that and indicate how the securities are publicly traded.
- (3) Provide the information required under subsection (1) on an annual basis for each year.

PART 4 BIOGRAPHICAL, SECURITYHOLDINGS AND CONFLICTS OF INTEREST INFORMATION FOR DIRECTORS AND EXECUTIVE OFFICERS

30. Directors' and Executive Officers' Biographical Information, Securityholdings and Conflicts of Interest

- (1) Provide biographical and securityholdings information in the following tabular format for each director and executive officer.

Full name, municipality, province/state and country of residence	Principal position(s) held with venture issuer or subsidiary and date of first appointment or election	Principal occupation or business for last 5 years including name and description of business	Number and percentage of each type of security of the venture issuer beneficially owned or over which control or direction is directly or indirectly exercised	Director or executive officer positions in the last 5 years with other reporting issuers or issuers with reporting obligations in foreign jurisdictions	Orders, bankruptcies, penalties or sanctions
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- (2) Provide notes to the table above to:
- (a) identify whether securities are held directly, indirectly or whether control or direction is exercised,
 - (b) for convertible or exchangeable securities, disclose the conversion or exchange price, the expiry date and any vesting provisions, including the number that have already vested,
 - (c) specify the circumstances surrounding each order, bankruptcy, penalty or sanction and to provide any material details including whether the order, bankruptcy, penalty or sanction is still in effect, and
 - (d) state the date at which information is provided.
- (3) For the purpose of this section, “order” means an order that was in effect for a period of more than 30 consecutive days and that is a cease trade order, an order similar to a cease trade order (including a management cease trade order) or an order that denied the relevant individual access to any exemption under securities legislation.
- (4) Disclose orders, bankruptcies, penalties or sanctions if
- (a) a director or executive officer of the venture issuer is, as at the date of the annual report, or has been, within 10 years before the date of the annual report, a director, chief executive officer or chief financial officer of any entity, including the venture issuer, that
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity of director, chief executive officer or chief financial officer of the entity, or

- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the entity that resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, or
- (b) a director or executive officer of the venture issuer
 - (i) is, as of the date of the annual report, or has been, within 10 years before the date of the annual report, a director or executive officer of any entity, including the venture issuer, 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, or
 - (ii) has, within the 10 years before the date of the annual report, 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 or executive officer, or
- (c) a director or executive officer of the venture issuer has been subject to any penalties or sanctions, other than a late filing fee,
 - (i) imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
 - (ii) imposed by a court, regulatory body or SRO that would likely be considered important to a reasonable investor in making an investment decision.
- (5) Despite subsection (4), settlement agreements entered into before December 31, 2000 are not required to be disclosed unless the disclosure would likely be important to a reasonable investor in making an investment decision.
- (6) Disclose particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and a director or executive officer of the issuer or of a subsidiary of the issuer.

PART 5 RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS

31. Related Entity Indebtedness

- (1) Use the following table, modified as necessary, to disclose each director, executive officer or other related entity of the venture issuer that
- (a) during the most recently completed financial year, owed a debt to the venture issuer or any of its subsidiaries, or
 - (b) was the beneficiary of a guarantee to a third party, a support agreement, letter of credit or similar arrangement or understanding provided by the venture issuer or any of its subsidiaries to such person or company during the most recently completed financial year.

Name and position (e.g., title or description of related entity relationship)	Role of venture issuer (e.g., lender or guarantor)	Amount outstanding at financial year end / Largest amount outstanding in financial year	Interest rate	Secured debt?	Amount, if any, of debt forgiven in last financial year

- (2) Add notes to the table to include material terms of the debt, agreement or other arrangement including,
- (a) the terms of repayment, including the rate of interest and the term to maturity, and any circumstances where repayment may be limited,
 - (b) the date of the agreement or other arrangement,
 - (c) the due date for repayment of the debt,
 - (d) a description of any security provided for the debt,
 - (e) the business purpose for the transaction, and
 - (f) whether the debt was for the purpose of purchasing securities of the venture issuer.

32. Other Related Entity Transactions

- (1) Except to the extent disclosed previously in Part 4 or section 31,
 - (a) disclose the purpose and terms of each related entity transaction that has occurred during the most recently completed financial year and each related entity transaction that senior management has proposed and that it is probable the board of directors will approve, and
 - (b) include the disclosure required under item 10 of Form 51-103F2 *Report of Material Change or Other Material Information* for each of the related entity transactions required to be disclosed.
- (2) If the disclosure required by this section, in respect of any related entity transaction, will be disclosed in the notes to the financial statements of the venture issuer which form part of the annual report, it is not necessary to restate the disclosure here if the venture issuer states that and identifies the note or notes to where the disclosure is located.

Guidance:

A series of related entity transactions might not be individually material but collectively might be considered material where they are all with the same related entity or with a related entity and other persons or companies with whom the related entity has a family relationship or a significant business or other relationship.

PART 6 INTERESTS OF EXPERTS

33. Names of Experts

- (1) Disclose the name of each person or company 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 the Instrument or National Instrument 51-102 *Continuous Disclosure Obligations* by the issuer during, or relating to, the venture issuer's most recently completed financial year if that person's or company's profession or business gives authority to the report, valuation, statement or opinion made by the person or company.
- (2) Identify the report, valuation, statement or opinion and the filing or filings in which it was referred to.
- (3) For the purpose of this Part, a person or company referred to in subsection (1) is an "expert".

34. Interests of Experts

- (1) Disclose all securities, other than securities held through mutual funds, or other property of the venture issuer, its subsidiaries or affiliates that
 - (a) were beneficially owned, or that were directly or indirectly controlled or directed by an expert required to be named in section 33 and, if the expert is not an individual, by the designated professionals of that expert,
 - (i) when that expert prepared the report, valuation, statement or opinion referred to in section 33, or
 - (ii) at any time since the time specified in subparagraph (i), or
 - (b) are to be directly or indirectly received by an expert named in section 33 and, if the expert is not an individual, by the “designated professionals” of that expert.
- (2) For the purposes of subsection (1), a designated professional means, in relation to an expert named in section 33,
 - (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 section 33, 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 section 33, in a position to directly influence the outcome of the preparation of the report, valuation, statement or opinion, including, without limitation,
 - (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 section 33, including 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 section 33, and
 - (iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in section 33.

- (3) For the purposes of subsection (1), if a person's or company's interest in the securities of the venture issuer represents less than one per cent of the venture issuer's outstanding securities of the same class, a general statement to that effect is sufficient.
- (4) Despite subsection (1), 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 in subsection (1) 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' rules on auditor independence.
- (5) If a person or a director, officer or employee of a person or company referred to in subsection (1) is or is expected to be elected, appointed or employed as a director, executive officer or employee of the venture issuer, one of its subsidiaries or an affiliate, disclose the fact or expectation.
- (6) Despite subsection (1), disclosure is not required for the auditor of a business acquired by the venture issuer or one of its subsidiaries if the auditors are not the auditors of the venture issuer and management of the venture issuer does not intend to recommend that they be appointed as auditors of the venture issuer.

Guidance:

- (1) *In some cases, securities legislation requires that the consent of an expert be obtained before referring to the expert's report, valuation, statement or opinion. See, for example, National Instrument 43-101 Standards of Disclosure for Mineral Projects and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*
- (2) *A consent may also be required at a future date if the filing in which the expert's report, valuation, statement or opinion is included or referred to is incorporated by reference into a short form prospectus.*

PART 7 BOARD AND GOVERNANCE MATTERS

35. Board Committees

- (1) Identify each of the committees of the venture issuer's board of directors and briefly describe the powers and responsibilities of each of the committees.
- (2) Using the following table, modified as necessary,
 - (a) identify each director,
 - (b) disclose each of the board committees upon which the director serves, and
 - (c) identify each of the directors who are executive officers or employees of the venture issuer.

- (3) In the following table, for members of the audit committee, indicate whether or not
- (a) the member is an executive officer, employee or control person;
 - (b) the member, or a family member of the member, receives compensation for services provided to the venture issuer or to a subsidiary of the venture issuer, other than compensation for serving as a director; and
 - (c) the board of directors considers the member to be financially literate.
- (4) Disclose the factors the board of directors considered to determine whether a member of the audit committee is financially literate.

Guidance:

In assessing the financial literacy of an audit committee member, consider the individual's

- (a) *understanding of the accounting principles used by the venture issuer to prepare its annual financial statements and interim financial reports,*
- (b) *ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions,*
- (c) *experience preparing, auditing, analyzing or evaluating annual financial statements and interim financial reports that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the venture issuer's annual financial statements and interim financial reports, or experience actively supervising one or more individuals engaged in such activities, and*
- (d) *understanding of internal controls and procedures for financial reporting.*

Name of director	Board committees on which director serves	Executive officer, employee or control person?	Financially literate? (Audit committee only)

- (5) Disclose each relationship of each of the directors that the board of directors considers could reasonably be expected to affect the director's ability to exercise independent judgment in a particular circumstance.
- (6) Disclose the number of board meetings held in the most recently completed financial year and indicate for each director the number of meetings attended.

- (7) Disclose for each board committee, the number of meetings held in the most recently completed financial year and indicate for each committee member, the number of meetings attended.

36. Governance and Ethical Conduct

- (1) Disclose whether or not the venture issuer's directors and officers are subject to any statutory or contractual obligations that require them, in performing their services as directors and officers of the venture issuer, to
- (a) act honestly and in good faith,
 - (b) exercise care, skill or diligence.
- (2) If any of the requirements in (1) apply, briefly describe them.

Guidance:

It is not necessary to provide a lengthy description. If, for example, the issuer is subject to similar requirements under an incorporating statute it is sufficient to refer to the name of the statute, indicate to whom the obligations are owed, and quote the provisions of that statute. It is not necessary to summarize general common-law obligations.

- (3) Disclose whether or not the board takes any steps to encourage and promote a culture of ethical business conduct and, if so, describe those steps.
- (4) Disclose how the board of directors facilitates its exercise of independent supervision over management, including
- (a) steps taken by the directors of the venture issuer to identify, prevent and address material conflicts of interest between the venture issuer, any of its subsidiaries and the directors and executive officers of the venture issuer, and
 - (b) the board of directors' process for identifying related entities, related entity transactions and for reviewing and approving related entity transactions.
- (5) Briefly describe the significant components of the venture issuer's review and approval process designed to ensure that disclosure contained in news releases, annual reports and interim reports does not contain misrepresentations or misleading information.

Guidance:

When responding to subsection 36(5), focus on those aspects of the review and approval process in which the directors and executive officers are engaged, such as consultations with expert advisers or senior staff, meetings of directors and/or executive officers, and internal policies or procedures requiring reviews by various parties. It is not necessary to provide a lengthy review of the issuer's disclosure controls and procedures or internal controls over financial reporting.

- (6) Describe any steps taken by the venture issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures), or disclose that no such steps are taken, to deter persons or companies with knowledge of an undisclosed material fact or material change in respect of the venture issuer from
 - (a) buying or selling a security of the venture issuer or exercising or issuing any option or other convertible or exchangeable security, the underlying security of which is a security the value of which is derived by reference to a security of the venture issuer,
 - (b) recommending or encouraging any other person or company to do anything referred to in paragraph (a), or
 - (c) informing, other than as necessary in the ordinary course of business, any other person or company of that undisclosed material fact or material change.
- (7) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors, or disclose that no such steps are taken.
- (8) Disclose what steps, if any, the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively, or disclose that no such steps are taken.

37. Auditor Independence

- (1) If the auditor performed services during the most recently completed financial year, other than for audit fees, disclose whether those services were pre-approved by the audit committee, and if not, state that in bold type.
- (2) If the pre-approval in (1) was conducted under a pre-approval policy, describe that policy.
- (3) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year, and if not or if the recommendations were not adopted, state that in bold type, explain why not and state who made the recommendations and why.
- (4) Using the following table, disclose the fees billed to the venture issuer or any of its subsidiaries by its external auditor for professional services relating to each of the 2 most recently completed financial years, and add notes to the table to provide details of the services provided, if any, in each of the categories.

Category	[Most recently completed financial year] (\$)	[Preceding financial year] (\$)
Audit Fees		
Audit-Related Fees		
Tax Fees		
All Other Fees		

(5) For the purpose of this section:

- (a) “Audit Fees” are the aggregate fees billed by the external auditor in respect of the financial year for audit services;
- (b) “Audit-Related Fees” are the aggregate fees billed by the external auditor in respect of the financial year for assurance and related services that are reasonably related to the performance of the audit or review of the venture issuer’s annual financial statements and interim financial reports and are not reported as “Audit Fees”;
- (c) “Tax Fees” are the aggregate fees billed by the external auditor in respect of the financial year for professional services for tax compliance, tax advice and tax planning;
- (d) “All Other Fees” are the aggregate fees billed by the external auditors in respect of the financial year for products and services not described in one of the three other categories.

PART 8 CONTENTS OF AN INTERIM REPORT

38. Interim Report Contents - Include cover page disclosure in an interim report as described by paragraphs (1)(a), (c) and (d) and subsection (2) of section 15 – Cover Page, and any other items referenced in section 15, if those other items have changed since the date of the latest annual or interim report.

39. Interim Report Quarterly Highlights

- (1) Provide a short discussion of the venture issuer’s operations and liquidity, and in your discussion please address known trends, demands, major operating statistics and changes thereto, commitments, events, expected or unexpected, or uncertainties that have materially affected the venture issuer’s operations and liquidity in the quarter or are reasonably likely to have a material effect going forward.

Guidance:

Focus your discussion on business activities; while these summaries are to be clear and simple, they are subject to the normal prohibitions against false and misleading statements.

- (2) Provide the disclosure required by section 22, if applicable, modified as necessary to refer to the most recently completed interim period and interim financial report.

Guidance:

- (1) *It is conceivable that a venture issuer with no operations or simple operations could satisfy the requirements of subsection (1) with very brief statements. For instance, a capital pool company may appropriately limit its discussion to: “This quarter we continued to look for a qualifying transaction. Management reviewed a number of proposals but there are no further developments to report at this time”; a mining venture issuer, might appropriately limit its discussion to: “This quarter we continued drilling and general exploration on our Nevada property completing 2 drill holes totaling 500 feet and plan to continue to do so”; and an oil and gas venture issuer might appropriately limit its discussion to: “This quarter our production increased 100 bbl per day. We completed 4 wells and are continuing with our plan to drill 2 more. Production expenses have increased on a per bbl basis due to higher water production”.*
- (2) *Describing as “Management’s Discussion & Analysis” or “MD&A” disclosure that is provided optionally outside of the annual or the interim report, may be misleading unless the optional disclosure is prepared in accordance with items 18, 20 and 21¹ of this Form, Form 51-102F1 Management’s Discussion & Analysis, or as permitted by section 45 of the Instrument.*

40. Interim Financial Report in Interim Report

- (1) Include the interim financial report in the interim report.
- (2) If the venture issuer did not engage an auditor to review an interim financial report, state that fact.
- (3) If a venture issuer engaged an auditor to review an interim financial report and the auditor was unable to complete the review, the interim financial report must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial report, and the reasons why the auditor was unable to complete the review.
- (4) If an auditor has performed a review of the interim financial report and the auditor has expressed a reservation of opinion in the auditor’s interim review report, include the review report.

¹ The 41-101F4 Prospectus Form (items 5.6-5.10) requires comparable information to items 18, 20 and 21 of Form 51-103F1.

41. Certification of Interim Report - Include in the interim report the applicable disclosure certificate set out in Part 10.

PART 9 ANNUAL FINANCIAL STATEMENTS

42. Annual Financial Statements - Include the annual financial statements, including the accompanying auditor's report, in the annual report.

Guidance:

Because the definition of annual financial statements in the Instrument includes both the financial statements for the most recently completed financial year and the comparative statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include one set of audited annual financial statements that contain the 2 most recently completed financial years.

PART 10 DISCLOSURE CERTIFICATE

43. Required Certificate

- (1) Attach a certificate in the form set out in section 45 to each annual report and interim report.
- (2) Despite subsection (1), a venture issuer may provide a certificate in the following form:
 - (a) for an annual report, Form 52-109F1 *Certification of Annual Filings Full Certificate*, as if each of the following applies:
 - (i) the venture issuer is a senior-unlisted issuer;
 - (ii) references to "annual filings" are read as "annual report";
 - (iii) the certificate is modified, as necessary, to refer to the annual report;
 - (b) for an interim report, Form 52-109F2 *Certification of Interim Filings Full Certificate*, as if each of the following applies:
 - (i) the venture issuer is a senior-unlisted issuer;
 - (ii) references to "interim filings" are read as "interim report";
 - (iii) references to "interim MD&A" are read as "quarterly highlights";
 - (iv) the certificate is modified, as necessary, to refer to the interim report and quarterly highlights.

Guidance:

- (1) *A venture issuer providing a certificate in accordance with subsection (2) would comply with Part 4 or 5 of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, as applicable, as if the venture issuer were a senior-unlisted issuer.*
- (2) *The Instrument requires that the certificate be dated and signed by the chief executive officer and the chief financial officer. If the individual signing in the capacity of chief executive officer or chief financial officer does not hold the title of chief executive officer or chief financial officer, indicate the individual's title.*
- (3) *If an annual report or interim report is refiled, the Instrument requires redating and re-signing of the certificate by the chief executive officer and the chief financial officer. Date the certificate as of the date of refiling.*

44. Date of Certificate - Sign and date the certificate as of the date that the annual report, interim report, or revised report as applicable, is filed.

45. Chief Executive Officer and Chief Financial Officer Certificate – The form of certificate required is as follows:

“As [Chief Executive Officer/Chief Financial Officer],

- (a) I acknowledge my responsibility for the disclosure of information in this [annual report/interim report] including the [annual financial statements/interim financial report] and [management's discussion and analysis/quarterly highlights].
- (b) I confirm I have reviewed the [annual report/interim report] to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the [annual report/interim report] for the [financial year/interim period] ended [insert date] and, based on my knowledge, having exercised reasonable diligence, the [annual report/interim report]
 - (i) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the [annual report/interim report], and
 - (ii) fairly presents in all material respects the financial condition, financial performance and cash flows of [insert name of venture issuer] as of the date of and for the periods presented in the [annual report/interim report].

[print name and title of Chief Executive Officer]

[print name and title of Chief Financial Officer]

[signature of Chief Executive Officer]

[signature of Chief Financial Officer]

Date: _____

Note to Reader: [insert name of venture issuer], as a venture issuer, is not required to establish and maintain disclosure controls and procedures and internal control over financial reporting (as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings*). This may result in additional risks to the quality, reliability, transparency and timeliness of annual reports, interim reports and other disclosures provided by it under securities legislation.”

Guidance:

- (1) *If a venture issuer provides a certificate in the form of section 45, it is not required to discuss in its annual report or interim report the design or operating effectiveness of disclosure controls and procedures or internal control over financial reporting.*
- (2) *If a venture issuer provides a certificate in the form of section 45, and chooses to discuss in its annual report, interim report or other regulatory filings the design or operation of one or more components of its disclosure controls and procedures or internal control over financial reporting, it should also consider disclosing in the same document that*
 - (a) *the venture issuer is not required to certify the design and evaluation of the issuer’s disclosure controls and procedures and internal control over financial reporting and has not completed such an evaluation, and*
 - (b) *inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis disclosure controls and procedures and internal control over financial reporting for the venture issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.*
- (3) *A selective discussion in a venture issuer’s management’s discussion and analysis about one or more components of a venture issuer’s disclosure controls and procedures or internal control over financial reporting without these accompanying statements will*

likely not provide transparent disclosure of the state of the venture issuer's disclosure controls and procedures or internal control over financial reporting.

- (4) *With respect to the content of certificates, Part 10 requires the annual and interim certificates to be filed in the exact wording prescribed by the required form, including the form number and form title, without any amendment, except the modifications set out in section 43. Failure to do so will be a breach of the Instrument.*