

**Form 51-103F1**  
***Annual and Mid-Year Reports***

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**Form 51-103F1**  
***Annual and Mid-Year Reports***

**PART 1      INSTRUCTIONS**

**1.      Overview of Annual and Mid-Year Reports**

Audited annual financial statements and associated MD&A 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 material related entity transactions. A mid-year report consists primarily of the mid-year interim financial report, associated MD&A and disclosure of material related entity transactions. See Part 9 of this form.

The last part of this form includes a disclosure certificate that must be signed by the CEO and CFO and included in an annual report and a mid-year report. By signing the certificate, the CEO and CFO 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.

For purposes of item 16(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.

**3.      Guidelines for MD&A**

MD&A should 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. MD&A must not be merely a repetition of the information provided in the financial statements or interim financial report or a summary of the financial statement or interim financial report changes as compared to the prior financial year. MD&A must explain the reasons for changes in the venture issuer's financial performance and financial condition.

The purpose of MD&A 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 should discuss information that may not be clearly or fully reflected in the financial statements or interim financial report, 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 16 to 20 should be based primarily on the reverse takeover acquirer's financial statements and interim financial reports.

#### **4. Defined Terms**

For terms used in this form that are not defined in the form, refer to National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* and if not defined in that Instrument, refer to securities legislation and National Instrument 14-101 *Definitions*.

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 National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

#### **5. Repetition and Incorporating Information by Reference**

A venture issuer must include all of the disclosure prescribed in this form within its annual and mid-year reports. Incorporation by reference is not permitted, unless expressly stated.

Despite the above restriction, a capital pool company or CPC may incorporate by reference the disclosure required by sections 15 and 16 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 business for the CPC. 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](http://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.*

#### **6. 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.

## **7. 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.

## **8. 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.

## **9. 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 mid-year report as at the last day of the most recently completed mid-year 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, the information must also be updated to the date it is filed. Section 49 of this form requires the certificate to be dated the date the report is filed.

## **10. Forward-Looking Information**

Any forward-looking information provided in a report must comply with section 37 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

## **11. 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 MD&A the prior period information relating to financial performance that is available.

## **12. 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.

## **13. Table of Contents**

Include a table of contents with an annual report.

## PART 2 DISCLOSURE OF BUSINESS

### 14. Cover Page

- (1) On or near the front or back of the annual report, disclose 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;
  - (c) the venture issuer's registered and head office address(es), 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(s); and
  - (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 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 three and nine month interim financial reports and associated management's discussion and analysis. 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.

The 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 board of directors of the venture issuer has decided to file an interim financial report for an optional interim period, also include the following statement in bold type on the cover page of the report:

“[Insert name of venture issuer] intends to file 3 and 9 month interim financial reports”.

- (4) If the annual report or mid-year report, as applicable, is a revised report, identify it as a “Revised” report.

## **15. Corporate Structure**

- (1) Disclose the relationship between the venture issuer and each subsidiary entity 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 entity 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, and;
  - (c) for a partnership, the agreement or agreements under it operates and the laws under which it was created.

## 16. Business Description

### (1) General

- (a) State the venture issuer's industry and describe its current business.
- (b) Disclose the number of employees, and the number of consultants retained on an on-going basis, of the venture issuer.
- (c) Disclose the principal location(s) of the venture issuer's business.

#### **Guidance:**

*Some 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 (refer to the guidance following the definition of "material contract");*
- *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; and*
- *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 paragraph (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.
    - (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 16(2), the venture issuer may satisfy the disclosure requirements in subsection 16(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 must comply with, and is subject to the limitations set out in, National Instrument 43-101 Standards of Disclosure for Mineral Projects. A venture issuer must 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) **Oil and Gas Activities** - If the venture issuer is engaged in oil and gas activities, or has entered an agreement to acquire an interest in a property that is reasonably expected to have oil and gas activities, disclose each of the following with respect to each such property or interest:
- (a) the resources that the venture issuer intends to explore for, develop or produce;
  - (b) whether the venture issuer is in the exploration, development or production phase;
  - (c) the nature of title or interest in the property (e.g., freehold, fee interest, leasehold, royalty) including each of the following,
    - the acquisition date,
    - method of acquisition,
    - party from whom title or interest acquired, and the nature of the relationship between the venture issuer such party and whether the other party is a related entity,
    - consideration paid or to be paid; and,
  - (d) any material restrictions or limitations on exploration, development or production.
- (5) **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:**

- (1) *Venture issuers with oil and gas activities must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and disclose reserves and resources using the appropriate terminology and categories as prescribed by the "COGE*

*Handbook”, as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.*

- (2) *This form requires that the disclosure required by section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities be contained in a venture issuer’s annual report.*
- (6) **Issuers with Products and Services** – Describe each product or service, produced, distributed or provided by the venture issuer.

**Guidance:**

*Some 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.*

- (7) **Issuers Engaged in Research and Development** – Describe each of the venture issuer’s products or services that are in the research and 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; and
  - (f) whether contracts exist with major suppliers or customers.

**17. Two Year History and MD&A 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 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) any seasonal aspects that had or are reasonably expected to have an effect on the venture issuer's financial condition or financial performance,
  - (iv) 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**

*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.*

- (d) To the extent that any of the statistics and performance measures required to be discussed in paragraph (c) are "non-GAAP financial measures" the venture issuer must comply with paragraph (e). For the purpose of this section, a "non-GAAP financial measure" is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not required, or permitted, by the issuer's GAAP and that either excludes an amount that is included in the most directly comparable measure calculated and presented in accordance with the issuer's GAAP, or includes an amount that is excluded from the most directly comparable measure calculated and presented in accordance with the issuer's GAAP.
- (e) A venture issuer disclosing a non-GAAP financial measure must do each of the following:

- (i) disclose how the venture issuer defines the non-GAAP financial measure and, if there have been any changes to how the venture issuer has defined the measure, describe and explain those changes;
- (ii) disclose that the non-GAAP financial measure does not have a standardized meaning under the issuer's GAAP and is unlikely to be comparable to financial measures presented by other issuers;
- (iii) present together with the non-GAAP financial measure, with at least equal prominence, the most directly comparable measure calculated in accordance with the issuer's GAAP that is presented in its annual financial statements or an interim financial report;
- (iv) explain the purpose for which the non-GAAP financial measure is used by management and why management thinks it provides useful information for investors;
- (v) provide a quantitative reconciliation of the non-GAAP financial measure to the most directly comparable measure calculated in accordance with the issuer's GAAP that is presented in its annual financial statements or an interim financial report.

**Guidance:**

*IFRS requires disclosure of certain line items and note disclosure beyond the minimum required line items for financial statements and interim financial reports if, for example, those are relevant to an understanding of an issuer's financial position and performance. Further, IFRS permits certain financial measures such as alternative earnings per share if certain conditions are met. The additional disclosures required or permitted by IFRS are not considered "non-GAAP financial measures" and consequently paragraph (e) would not apply. Refer to the CSA Staff Notice 52-306 Non-GAAP Financial Measures and Additional GAAP Measures for further guidance.*

- (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 two 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;
- (c) disclose all components that exceed the greater of \$25,000 and 20% of the total amount of the class for each of (a)(i) to (v); and
- (d) 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
  - (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 and how the deficiency is anticipated to be remedied,
    - (iii) whether the venture issuer reasonably expects to have sufficient funds to maintain activities and meet planned growth or development;
  - (b) 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;
- (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,
  - (iii) debt, equity or other available financing resources.

## **18. 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 that, 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.

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 37 of National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers.*
- (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*
- *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,*
  - *ensure that a statement proximate to the forward-looking information is made which contains reasonable cautionary language which*
    - *identifies the forward-looking information,*
    - *identifies the material factors that could cause actual results to differ materially from the forward-looking information,*
    - *states the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection in the forward-looking information.*

## **19. 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 (with an entity) 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.

## 20. Significant Equity Investee

If a venture issuer has a significant equity investee, the venture issuer must disclose, for each of the two most recently completed financial years, summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss unless

- (a) this has already been disclosed in the annual financial statements of the venture issuer, or
- (b) the venture issuer has filed annual financial statements of the equity investee providing the disclosure.

### **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.*

## 21. Forward-Looking Information, FOFI 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 37(1) of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*, it must update that disclosure either by
  - (a) disclosing both
    - (i) all events or circumstances that have occurred in the period to which the annual report or mid-year 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 FOFI (as defined in section 37 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*) any material differences from actual results for the period to which the annual report or mid-year report relates, or

- (b) disclosing 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](http://www.sedar.com).
- (2) If during the period to which an annual report or mid-year report relates, a venture issuer decides to withdraw previously disclosed forward-looking information, it must either
  - (a) disclose in its annual report or mid-year report, as applicable, the withdrawal and explain the reasons for the withdrawal, including the assumptions for the forward-looking information that are no longer valid,
  - (b) disclose in its annual report or mid-year report 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](http://www.sedar.com).
- (3) For the purpose of subsection (1), disclosure will be considered to be made to the public if it is filed, made in a speech in a public forum, made in a press release or by broadcast medium or by a telephonic, electronic or other communication facility, in a newspaper, magazine or other publication generally available to the public or published on a website or in marketing material.

## 22. Risk Factors

Disclose the risk factors of the venture issuer. Identify first the risks that are most significant to the venture issuer and those that may not be common to other venture issuers in the same industry.

### ***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.*

### **23. 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. 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.*

### **24. Material Contracts**

List each material contract 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**

**25.      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 securities that may be converted 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 securities that may be converted into voting or equity securities were converted.
  - (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.

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

- (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* to which that instrument applies.

## **26. Founders, Principal Holders and Control Persons**

To the extent reasonably ascertainable, identify each founder who was a founder during the most recently completed financial year, each principal holder 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.

## **27. Reporting Insiders**

- (1) Identify each person or company, other than executive officers, 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.
- (2) If the “reporting insider” is a registered owner of the venture issuer’s securities but not the beneficial owner, disclose the beneficial owner if it is known to, or is reasonably ascertainable by, the venture issuer.

## **28. 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,
  - (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.

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

**29. 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.

<b>Full name, municipality, province/state and country of residence</b>	<b>Principal position(s) held with venture issuer or subsidiary entity and date of first appointment or election</b>	<b>Principal occupation or business for last 5 years including name and description of business</b>	<b>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</b>	<b>Director or executive officer positions in the last 5 years with other reporting issuers or issuers with reporting obligations in foreign jurisdictions</b>	<b>Orders, bankruptcies, penalties or sanctions</b>
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(2) Use notes to the table above to:

- (a) identify whether securities are held directly, indirectly or whether control or direction is exercised,
- (b) for convertible securities, disclose the Conversion 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,
- (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) Disclosure must be made of an order, bankruptcy, penalty or sanction 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, CEO or CFO 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, CEO or CFO of the entity, or
    - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO of the entity that resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO, 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 COMPENSATION, OPTIONS AND INCENTIVE PLANS**

### **30. Director and Executive Officer Compensation, excluding options**

- (1) Use the following table, to the extent reasonably practicable, disclose all compensation for each of the two most recently completed financial years, other than compensation disclosed under section 32, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the venture issuer or any subsidiary entity of the venture issuer, to each “named executive officer” and each director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the named executive officer or director for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiary entities.

#### ***Guidance:***

*Compensation includes payments, grants, awards, gifts and benefits and would generally include,*

- *salaries,*
- *consulting fees,*
- *retainer fees,*
- *bonuses,*
- *committee and meeting fees,*
- *special assignment fees,*
- *pensions and employer paid RRSP contributions,*
- *perquisites such as*
  - *car, car lease, car allowance or car loan,*
  - *personal insurance,*
  - *parking,*
  - *accommodation, including use of vacation accommodation,*
  - *financial assistance,*
  - *club memberships,*
  - *use of corporate motor vehicle or aircraft,*
  - *reimbursement for tax on perquisites or other benefits,*
  - *investment-related advice and expenses, and*
  - *gifts.*

- (2) For the purposes of this section a “named executive officer” or “NEO” means in respect of the venture issuer and its subsidiary entities each of the following individuals:

- (a) a CEO;

- (b) a CFO;
- (c) each of the three most highly compensated executive officers other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection (3), for that financial year;
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the venture issuer, nor acting in a similar capacity, at the end of that financial year.

**Guidance:**

*The \$150,000 threshold in paragraph (c) of the definition of NEO only applies when determining who is a NEO in a venture issuer's most recently completed financial year. If an individual is a NEO in the most recently completed financial year, disclosure of compensation in prior years must be provided if otherwise required by this form even if total compensation in a prior year is less than \$150,000 in that year.*

- (3) To calculate total compensation awarded to, earned by, paid to, or payable to an individual under paragraph (2)(c),
  - (a) use the total compensation that would be reported for each executive officer using the summary compensation table below, as if that executive officer were a named executive officer for the venture issuer's most recently completed financial year,
  - (b) exclude each of the following from the calculation,
    - (i) any pension benefit compensation,
    - (ii) any incremental payments, payables, and benefits to an executive officer that are triggered by, or result from, termination, severance, constructive dismissal or a change of control that occurred during the most recently completed financial year,
    - (iii) any cash compensation that relates to foreign assignments that is specifically intended to offset the impact of a higher cost of living in the foreign location, and is not otherwise related to the duties the executive officer performs for the venture issuer.
- (4) Despite subsection (1), it is not necessary to disclose Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that do not discriminate in scope, terms or operation that are generally available to all salaried employees.

<b>Director and Executive Officer Compensation, excluding Stock Options, Compensation Securities and Instruments</b>						
<b>Name and position</b>	<b>Salary, consulting fee, retainer or commission</b>	<b>Bonus</b>	<b>Committee or meeting fees</b>	<b>Value of perquisites</b>	<b>Value of all other compensation</b>	<b>Total</b>

- (5) Use notes to the table to disclose:
- (a) compensation paid by any person or company other than the venture issuer, including the identity of that other person or company;
  - (b) compensation paid indirectly to the director or named executive officer and, in such case, the amount of compensation, to whom it is paid and the relationship between the director or named executive officer and such other person or company;
  - (c) the nature of each perquisite paid, that is, any amount the board of directors considers to be not integrally and directly related to the performance of the director or named executive officer's duties, and how the value of the perquisite was calculated; and
  - (d) the nature of each form of other compensation paid and how the value of such other compensation was calculated, if it is not paid in cash; and
  - (e) the nature of each perquisite or other compensation paid or payable that equals or exceeds 25% of the total value of perquisites or other compensation, as applicable, paid or payable to that director or named executive officer.
- (6) If non-cash compensation, other than stock options, was provided or is payable, disclose the fair market value of the compensation at the time it is earned. If it is not possible to calculate the fair market value, disclose that fact and the reasons why.
- (7) If the venture issuer provides a pension to a director or a named executive officer provide for each such person the additional disclosure required by Item 5 of Form 51-102F6 *Executive Compensation*. For details and guidance regarding pension disclosure, see Form 51-102F6 *Executive Compensation*.

- (8) If a director or named executive officer has served in that capacity for only part of a year, indicate the number of months he or she has served. Do not annualize the compensation.

### **31. IFRS Compliance Exemption**

- (1) A venture issuer is exempt from section 30 if it prepares its annual financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and complies with the requirements of this section.
- (2) To rely on the exemption in subsection (1), a venture issuer must disclose each of the following:
- (a) the compensation disclosure required by Canadian GAAP applicable to publicly accountable enterprises for “key management personnel” (as defined in Canadian GAAP applicable to publicly accountable enterprises) separately for each director and named executive officer;
  - (b) the amount of compensation paid for services provided by a director or named executive officer to the venture issuer, by any person or company other than the venture issuer, and identify the person or company providing the compensation;
  - (c) the amount of compensation paid indirectly to a director or named executive officer and, in such case, to whom it is paid and the relationship between the director or named executive officer and such other person or company;
  - (d) the nature of each perquisite paid to a director or named executive officer, that is, any amount the board of directors considers to be not integrally and directly related to the performance of the director’s or named executive officer’s duties, and how the value of the perquisite was calculated;
  - (e) the nature of each perquisite or other compensation paid or payable that equals or exceeds 25% of the total value of perquisites or other compensation, as applicable, paid or payable to that director or named executive officer.

***Guidance:***

*The disclosure required by subsection 31(2) may be provided in the venture issuer’s annual financial statements.*

### **32. Stock Options, Compensation Securities and Instruments**

- (1) Using the following table, modified as necessary, disclose all securities, convertible securities and similar instruments including stock appreciation rights (“SARs”), deferred share units (“DSUs”), restricted stock units (“RSUs”) and phantom securities granted or issued by the venture issuer or one of its subsidiary entities for services provided or to be provided, directly or indirectly, to the venture issuer or any of its subsidiary entities in the most recently completed financial year.

- (a) Disclose on an individual basis, each grant or issuance made to a director or named executive officer.
- (b) Disclose grants or issuances to persons or companies other than directors and named executive officers. This disclosure may be aggregated.
- (c) If disclosure is provided on an aggregate basis, disclose each issue or grant price (and for convertible securities the price at which they convert) and the number of securities, convertible securities or similar instruments issued or granted at each such price.

<b>Stock Options, Compensation Securities and Instruments</b>							
<b>Name and position</b>	<b>Type of security or other instrument</b>	<b>Number of securities or instruments or for convertible securities, the number of underlying securities and percentage of class</b>	<b>Date of issue or grant</b>	<b>Issue or Conversion price</b>	<b>Closing price of security or underlying security on date of grant</b>	<b>Closing price of security or underlying security at year end</b>	<b>Expiry date</b>

- (2) Position the tables prescribed in (1) and (5) directly after the table prescribed in subsection 30(1).
- (3) Use notes to the table to disclose:
  - (a) the material terms of the class of security, convertible security or instrument or a cross-reference to such description provided elsewhere in the annual report;
  - (b) vesting provisions; and
  - (c) restrictions or conditions with respect to converting convertible securities.
- (4) Use notes to the table to disclose any security, convertible security or instrument that has

been re-priced, cancelled and replaced, had its term extended or otherwise been materially modified in the most recently completed financial year, including, the original and modified terms, the effective date, the reason for the modification, and if the holder was a director or executive officer, the name of the holder.

- (5) Using the following table, modified as necessary, disclose on an individual basis, all exercises by directors and named executive officers of securities referred to in subsection (1) during the most recently completed financial year.

<b>Exercise of Securities by Directors and Named Executive Officers</b>						
<b>Name and position</b>	<b>Type of security or other instrument</b>	<b>Number of securities exercised</b>	<b>Exercise price per security</b>	<b>Date of exercise</b>	<b>Closing price per security on date of exercise</b>	<b>Difference between exercise price and closing price on date of exercise</b>

### **33. Employment, Consulting and Management Agreements**

- (1) Disclose the terms of each agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the venture issuer or any of its subsidiary entities that were
- (a) performed by a director or named executive officer,
  - (b) performed by any other party but are services typically provided by a director or a person who would typically be a named executive officer.
- (2) For each agreement or arrangement referred to in subsection (1), disclose each of the following:
- (a) the provisions, if any, with respect to change of control, severance, termination or constructive dismissal;
  - (b) the total compensation paid or provided in the most recently completed financial year or that is payable or to be provided by the venture issuer or any of its subsidiary entities,

- (c) any relationship between the other party to the agreement and a director or named executive officer of the venture issuer or any of its subsidiary entities.

**34. Oversight and Description of Director and Executive Officer Compensation**

- (1) Disclose who determines director compensation and how and when it is determined.
- (2) Disclose who determines the compensation of the named executive officers and how and when it is determined.
- (3) For each named executive officer, all of the following must be disclosed:
  - (a) describe and explain all significant elements of compensation awarded to, earned by, paid or payable to the NEO for the most recently completed financial year, including at a minimum each element of compensation that accounts for 10% or more of the NEO's total compensation,
  - (b) disclose whether or not total compensation or any significant element of compensation is tied to one or more performance criteria or goals, including for example, milestones, agreements or transactions and, if so,
    - (i) describe the performance criterion or criteria and goals, and
    - (ii) indicate the weight assigned to each performance criterion or goal,
  - (c) disclose any significant events that have occurred during the most recently completed financial year that have significantly affected compensation including whether any performance criterion or goal was waived or changed and, if so, why,
  - (d) disclose how the venture issuer determines the amount to be paid for each significant element of compensation referred to in paragraph (a), including whether the process is based on objective, identifiable measures or a subjective decision,
  - (e) disclose whether a peer group is used to determine compensation and, if so, describe the peer group and why it is considered appropriate,
  - (f) disclose any significant changes to the venture issuer's compensation policies that were made during or after the most recently completed financial year that could or will have an effect on director or NEO compensation.
- (4) Despite subsection (3) if a reasonable person would consider disclosure of a previously undisclosed specific performance criterion or goal to seriously prejudice the venture issuer's interests, the venture issuer is not required to disclose it if the venture issuer does each of the following:

- (a) discloses the percentage of the NEO's total compensation that relates to the undisclosed criterion or goal,
- (b) discloses the anticipated difficulty in achieving the performance criterion or goal,
- (c) states that it is relying on this exemption,
- (d) explains why disclosing the performance criterion or goal would seriously prejudice its interests.

For the purposes of this exemption, a venture issuer's interests are not considered to be seriously prejudiced solely by disclosing performance goals or criteria if those criteria or goals are based on broad corporate-level financial performance metrics such as earnings per share, revenue growth, and earnings before interest, taxes, depreciation and amortization (EBITDA).

### **35. Stock Option Plans and Other Incentive Plans**

- (1) Describe the material terms of each stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units, restricted stock units or phantom securities and any other incentive plan or portion of a plan under which awards are granted.

#### ***Guidance***

*Examples of material terms are: vesting provisions, maximum term of options granted, whether a stock option plan is a rolling plan, the maximum number or percentage of options that can be granted, method of settlement.*

- (2) Indicate for each such plan or agreement whether it has been approved by shareholders.
- (3) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

## **PART 6 MATERIAL RELATED ENTITY TRANSACTIONS AND INDEBTEDNESS**

### **36. 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 subsidiary entities, 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 subsidiary entities 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,
  - (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.

### **37. Other Material Related Entity Transactions**

- (1) Except to the extent disclosed previously in Part 5 or section 36, disclose the terms of each material related entity transaction that has occurred during the most recently completed financial year and each material related entity transaction that senior management has proposed and that it is probable the board of directors will approve. Include the disclosure required by section 10 of Form 51-103F2 *Report of Material Change, Material Related Entity Transaction or Major Acquisition* for each of the material related entity transactions required to be disclosed.
- (2) If the disclosure required by this section in respect of any material related entity transaction will be disclosed in the notes to the financial statements or mid-year interim

financial report of the venture issuer which form part of the annual report or mid-year 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 material 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 7 INTERESTS OF EXPERTS**

**38. 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 National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* or National Instrument 51-102 *Continuous Disclosure Obligations* 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".
- (4) Despite subsection (1), disclosure is not required for the auditor of a business acquired by the venture issuer or one of its subsidiary entities 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.

**39. Interests of Experts**

- (1) Disclose all securities, other than securities held through mutual funds, or other property of the venture issuer, its subsidiary entities 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 38 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 38,

- (ii) at any time since the time specified in paragraph (i), or
  - (b) are to be directly or indirectly received by an expert named in section 38 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 38
  - (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 38, 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 38, 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 38, 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 38, and
    - (iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in section 38.
- (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 subsidiary entities or an affiliate disclose the fact or expectation.

**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 8 BOARD AND GOVERNANCE MATTERS**

### **40. 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 respect of the members of the audit committee, indicate whether or not the board of directors considers the director to be financially literate.
- (4) In assessing financial literacy of an audit committee member, the board of directors must consider the individual's
  - (a) ability to understand 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 reserves, and
  - (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.

Name of director	Board committees on which director serves	Executive officer or employee?	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 judgement in a particular circumstance.
- (6) Disclose the number of board meetings held since the date of the last annual report and indicate for each director the number of meetings attended.
- (7) Disclose for each board committee, the number of meetings held since the date of the last annual report and indicate for each committee member, the number of meetings attended.

**41. 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.

If any such requirements 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.*

- (2) Disclose whether the board takes any steps to encourage and promote a culture of ethical business conduct and, if so, describe those steps.
- (3) 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 subsidiary entities and the directors and executive officer of the venture issuer,
  - (b) the board of director's process for identifying Related Entities, material related entity transactions and for reviewing and approving material related entity transactions.
- (4) 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 Mid-Year Reports does not contain misrepresentations or misleading information as described in Part 2 of National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers*.

**Guidance:**

*When responding to subsection 41(4) 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.*

- (5) Describe any steps taken by the venture issuer (including, for example, educational efforts, confidentiality agreements and the adoption of policies or procedures) 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 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.
- (6) Describe any steps taken to provide an orientation to new directors and to provide continuing education for directors.
- (7) Disclose what steps, if any, the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

**42. 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. If not, state that in bold type. If they were pre-approved by a pre-approval policy, describe that policy.
- (2) Disclose whether the audit committee recommended the appointment and compensation of the external auditor for the most recently completed financial year. If not or if the recommendations were not adopted, state that in bold type and explain why not.
- (3) Using the following table, disclose the fees billed to the venture issuer or any of its subsidiary entities by its external auditor for professional services relating to each of the two most recently completed financial years. Add notes to the table to provide details of the services provided, if any, in each of the categories.

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

- (4) 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 9 CONTENTS OF A MID-YEAR REPORT**

### **43. Mid-Year Report Contents**

A mid-year report must include cover page disclosure as specified by paragraphs (1)(a) and (d) and subsections (2) and (3) of section 14 – Cover Page, and any other items referenced in section 14, if they have changed since the date of the last annual report.

### **44. Mid-Year Report MD&A**

A mid-year report must include MD&A disclosure in accordance with each of the following provisions, modified as necessary to refer to the most recently completed mid-year period and mid-year interim financial report and where applicable for comparative purposes, the most recent prior mid-year period and prior mid-year interim financial report:

- (a) subsection 17(2) – Management’s Assessment of Performance;
- (b) subsection 17(3) – Issuers without Significant Operating Revenue;
- (c) subsection 17(4) – Actual Use of Financing Proceeds;
- (d) subsection 17(5) – Liquidity and Capital Resources;
- (e) section 19 – Off Balance Sheet Arrangements;
- (f) section 20 – Significant Equity Investees;
- (g) section 37 - Other Material Related Entity Transactions.

### **45. Mid-Year Interim Financial Report in Mid-Year Report**

- (1) A mid-year interim financial report must be included in and form part of a mid-year report.
- (2) If an auditor was not engaged to review the mid-year interim financial report
  - (a) state that fact;
  - (b) if the auditor was unable to complete a review, disclose that fact and the reasons for the inability to complete the review; and
  - (c) if there were any reservations in the review report, include the review report.

#### **46. Certification of Mid-Year Report**

A mid-year report must include the disclosure certificate required by Part 11.

### **PART 10 ANNUAL FINANCIAL STATEMENTS**

#### **47. Annual Financial Statements**

The annual financial statements, including the accompanying auditor's report, must be included in and form part of the annual report.

***Guidance:***

*Because the definition of annual financial statements in National Instrument 51-103 Ongoing Governance and Disclosure Requirements for venture issuers includes both the financial statements for the most recently completed financial year and the corresponding statements for the financial year immediately preceding the most recently completed financial year, a venture issuer will generally be required to include audited annual financial statements for the two most recently completed financial years.*

### **PART 11 DISCLOSURE CERTIFICATE**

#### **48. Required Certificate**

- (1) The certificate in the form set out in section 50, must be attached to each annual report and mid-year 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 a mid-year 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 "mid-year report";
    - (iii) references to "interim period" are read as "mid-year period";

(iv) the certificate is modified, as necessary, to refer to the mid-year report.

- (3) A venture issuer providing a certificate in accordance with subsection (2) must comply with Part 3 of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as if the venture issuer is a senior unlisted issuer.
- (4) The certificate must be dated and must be signed by the CEO and the CFO. If the individual signing in the capacity of CEO or CFO does not hold the title of CEO or CFO, indicate the individual's title.
- (5) If an annual report or mid-year report is revised, the certificate must be redated and resigned by the CEO and the CFO.

#### **49. Date of Certificate**

The Disclosure Certificate must be signed and dated as of the date that the annual report, mid-year report, or revised report as applicable, is filed.

#### **50. CEO and CFO Certificate**

As [CEO / CFO],

- (a) I acknowledge my responsibility for the disclosure of information in this [annual report/mid-year report] including the [annual financial statements/mid-year interim financial report] and management's discussion and analysis.
- (b) I confirm I have reviewed the [annual report/mid-year report] to which this certificate is attached, and for greater certainty, all documents and information incorporated by reference into the [annual report/mid-year report] and, based on my knowledge, having exercised reasonable diligence, the [annual report/mid-year 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/mid-year 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/mid-year report].

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[print name and title of CEO]

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[print name and title of CFO]

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[signature of CEO]

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[signature of CFO]

Date: \_\_\_\_\_

**Note to Reader:** [insert name of venture issuer], as a venture issuer, is not required to establish and maintain disclosure controls 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, mid-year reports and other disclosures provided by it under securities legislation.

**Guidance:**

*If a venture issuer provides a certificate in the form of section 50, it is not required to discuss in its annual report or mid-year report the design or operating effectiveness of disclosure controls and procedures or internal control over financial reporting. If a venture issuer provides a certificate in the form of section 50, but chooses to discuss in its annual report, mid-year 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.*

*A selective discussion in a venture issuer's MD&A 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 not provide transparent disclosure of the state of the venture issuer's disclosure controls and procedures or internal control over financial reporting.*

*With respect to the content of certificates, Part 11 requires the annual and mid-year certificates to be filed in the exact wording prescribed by the required form (including the form number and form title) without any amendment. Failure to do so will be a breach of the Instrument.*