The OSC SME Institute

Continuous Disclosure Obligations

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OSC ONTARIO SECURITIES COMMISSION

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Presentation Outline

The OSC SME Institute

Continuous Disclosure 101

ONTARIO SECURITIES COMMISSION

Disclosure Requirements

- Periodic Disclosure
  - Financial statements, MD&A, CEO and CFO certifications, annual information form, information circular, executive compensation, corporate governance, oil and gas annual filing
- Timely Disclosure
  - Material change news release and report (Securities Act)
  - Material information (Exchanges)
- Event-Based Disclosure
  - Business acquisition reports, material contracts, insider reporting, mining technical reports, oil & gas annual filings

Periodic Disclosure Requirements

Document	Venture	Non-Venture
Audited annual financial statements accompanied with: • Annual MD&A • Annual CEO and CFO Certificates	120 days after year-end	90 days after year-end
Interim financial report accompanied with • Interim MD&A • Interim CEO and CFO Certificates	60 days after quarter end	45 days after quarter end
Annual Information Form (AIF)	N/A - but may elect to file	Usually 90 days after year-end
Information Circular	Generally mail 21 days before meeting and file promptly	
Executive Compensation	File with related document (usually with Information Circular or AIF)	
Corporate Governance (i.e. Board information)		

Timely Disclosure Requirements

Document	Timing
Material change news release and report	▪ Immediately issue and file news release ▪ File material change report within 10 days

Material change – a change in the business, operations or capital of the company that would reasonably be expected to have a significant effect on market price or value of any of the securities of the company (or a decision to implement such a change)

Under stock exchange timely disclosure policies, a listed company is required to disclose material information including any material fact immediately upon the information becoming known to management

Examples of Potentially Material Information

- National Policy 51-201 *Disclosure Standards* provides examples of potentially material information such as:

Changes in	Examples
Corporate structure	▪ Major reorganizations, amalgamations or mergers
Capital structure	▪ Planned issuance or repurchases of additional securities ▪ Planned offerings of warrants to buy shares
Financial results	▪ Unexpected changes in financial results ▪ Reductions in cash flow, write-down, or changes in value or composition of assets
Business and operations	▪ Changes to board of directors or management ▪ Significant new contracts, products or services
Acquisitions and dispositions	▪ Purchase or sale of assets, or joint venture interests
Credit arrangements	▪ Significant amount borrowed or lent ▪ Defaults under debt obligations, or agreements to restructure debt

Materiality Determinations

- Guidance on materiality determinations:
  - No bright line test
    - Company specific determination
    - Rule of thumb - would the inclusion or exclusion of certain information change an investor's investment decision
  - Context specific
    - Materiality may be related to other facts and circumstances
  - Err on the side of caution
    - If in doubt, it's better to disclose

It is the responsibility of the company to determine what information is material and to disclose it on a timely basis

Event-based Disclosure

Document	Timing
Business Acquisition Report	▪ Within 75 days following acquisition
News Release with Financial Information	▪ File news release immediately
Documents Affecting the Rights of Securityholders	▪ Earlier of filing of material change report or AIF or 120 days after year end
Material Contracts	
Initial Insider Report	▪ Within 10 days of becoming a reporting insider
Subsequent Insider Report	▪ Within 5 days of any change in holdings

For more information, see OSC website for presentation slides from the OSC SME Institute seminar on "Continuous Disclosure Obligations" held on October 17, 2012

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Overview of Continuous Disclosure (CD) Review Program

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CD Review Program

- Our CD review program is critical to investor protection as it monitors issuer compliance of CD documents which are available to investors in making investment decisions.

- We help companies understand and comply with their CD obligations through our compliance programs and issuer outreach and education initiatives.

- Types of reviews
  - Full reviews are broad in scope and generally involve a detailed review of an issuer's CD record for at least 12 months.
  - Issue-oriented reviews (IOR) focus on specific accounting, legal or regulatory issues that we believe warrant scrutiny.

CD Review Program (cont'd)

- Issuers are selected for review using a risk-based approach
  - Filing appears to be substantially non-compliant with a requirement of the Act or regulations
  - Filing appears to contain information that is misleading, false, deceptive or a misrepresentation
  - Assess compliance with new regulatory or accounting requirements
  - Emerging risks and market conditions

CD Review Program (cont'd)

- Correspondence with issuers is primarily done through comment letters
- Outcomes of reviews
  - Prospective disclosure enhancements in filings
  - Issuer outreach and education
  - Refilings and other regulatory actions for significant deficiencies
    - OSC's 3-year Refilings and Errors List
    - Enforcement referral / cease trade order / default list

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Results of CD Review Program

CSA Staff Notice 51-344 Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2015

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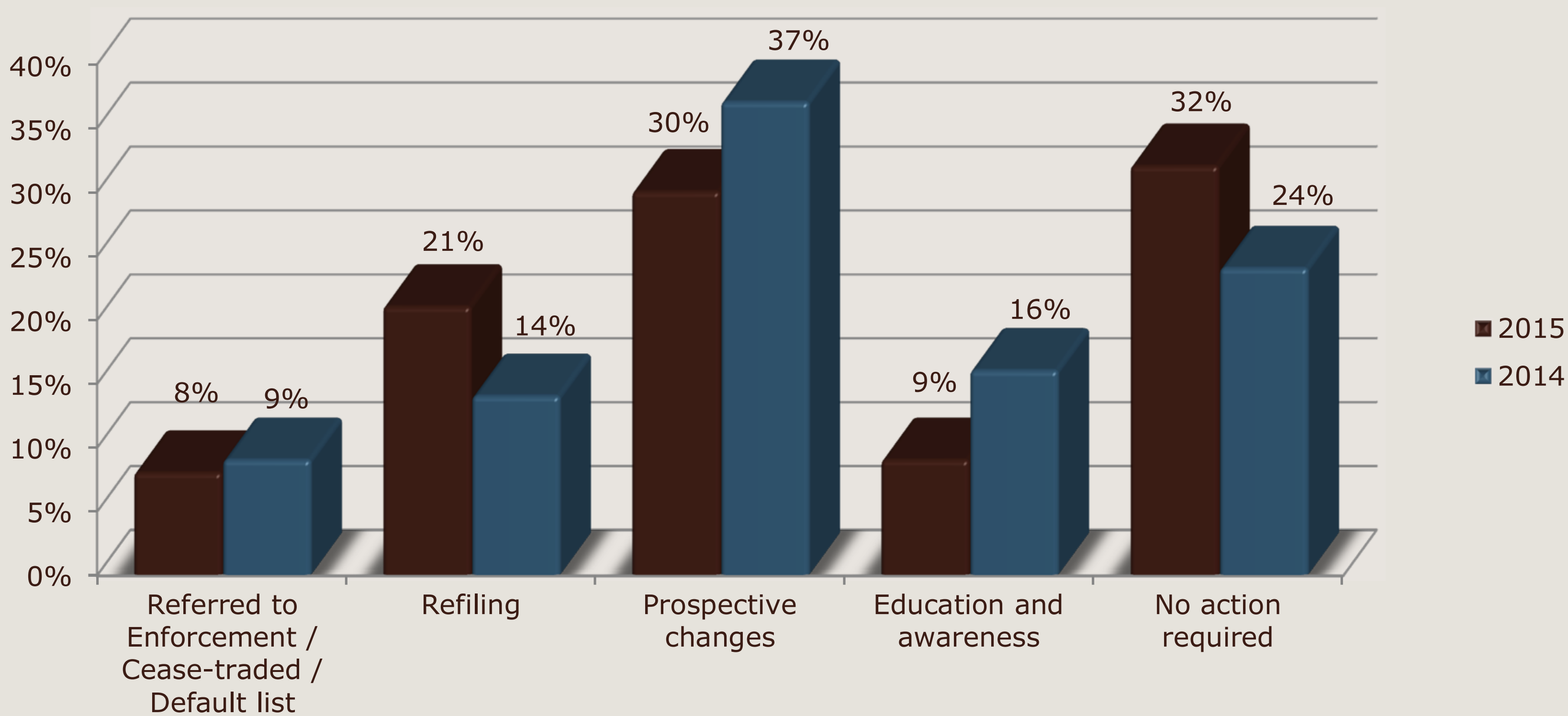
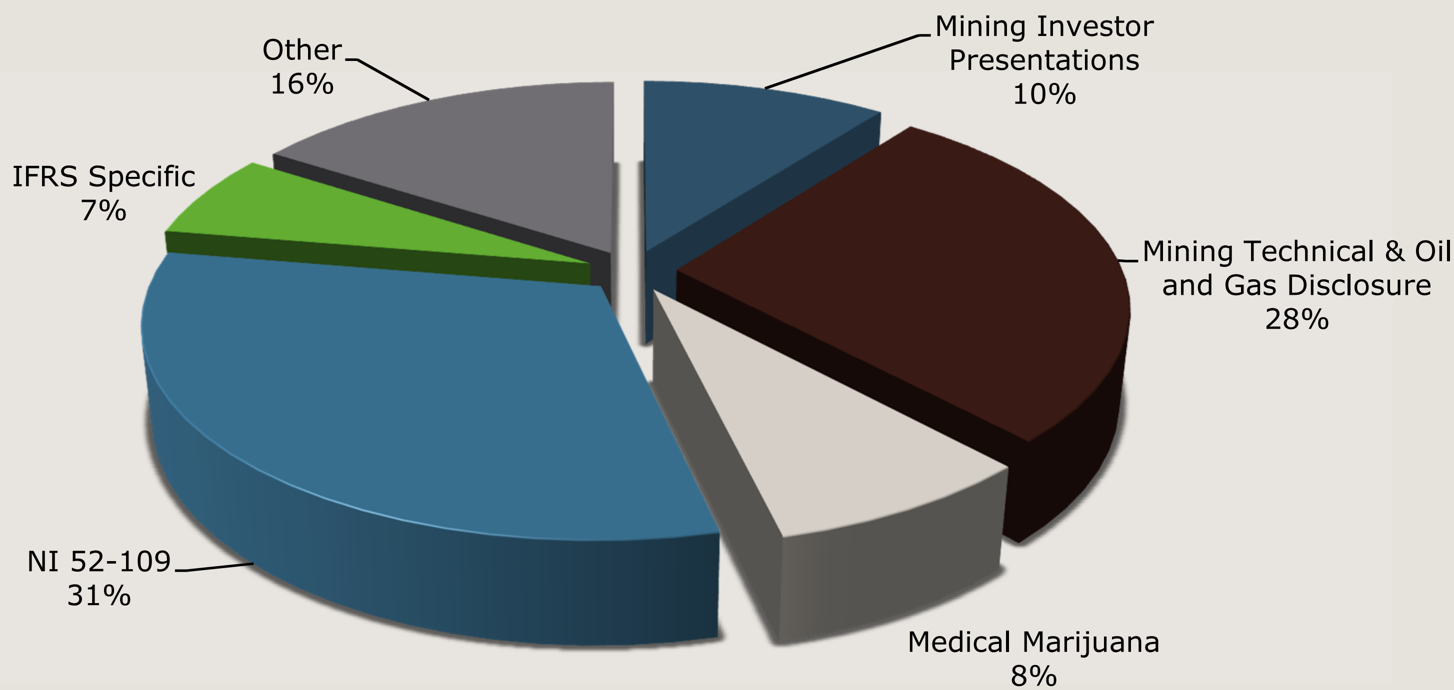
CSA CD Staff Notice – Background

- Prepared in conjunction with jurisdictions across the Canadian Securities Administrators (CSA).
- Contains the results of the continuous disclosure (CD) reviews conducted by the CSA within the scope of their CD review program for the fiscal year ended March 31, 2015.
- Published July 16, 2015.
- CD Review Program based on CSA Staff Notice 51-312 (revised) Harmonized Continuous Disclosure Review Program.
- 280 full reviews and 778 issue oriented reviews completed by CSA staff in fiscal 2015

CSA CD Review Outcomes



Issue Oriented Reviews (IORs) Fiscal 2015



IORs (cont'd)

- Across the CSA, Staff conducted the following IORs that resulted in the publication of CSA staff notices:
  - **Medical Marijuana**
    - CSA Staff Notice 51-342, *Staff Review of Issuers Entering Into Medical Marijuana Business Opportunities*
  - **Mining Investor Presentations**
    - CSA Staff Notice 43-309, *Review of Website Investor Presentations by Mining Issuers*
- In Ontario, Staff conducted the following IORs that resulted in the publication of staff notices:
  - **Related Party Transactions**
    - OSC Staff Notice 51-723, *Report on Staff's Review of Related Party Transaction Disclosure and Guidance on Best Practices*
  - **Real Estate Investment Trust Distributions**
    - OSC Staff Notice 51-724, *Report on Staff's Review of REIT Distributions Disclosure*

Common Deficiencies Identified

- Hot Buttons Chart
  - Includes various financial statement, MD&A and regulatory deficiencies we have encountered during our reviews.

- Disclosure Examples and Discussion
  - Financial Statement Deficiencies
    - Impairment of Assets
  - MD&A Deficiencies
    - Related Party Transactions
    - NI 52-109 Disclosures
  - Other Regulatory Disclosure Deficiencies
    - Mineral Projects
    - Filing of News Releases

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Results of CD Review Program

OSC Staff Notice 51-725 Corporate Finance Branch 2014-2015 Annual

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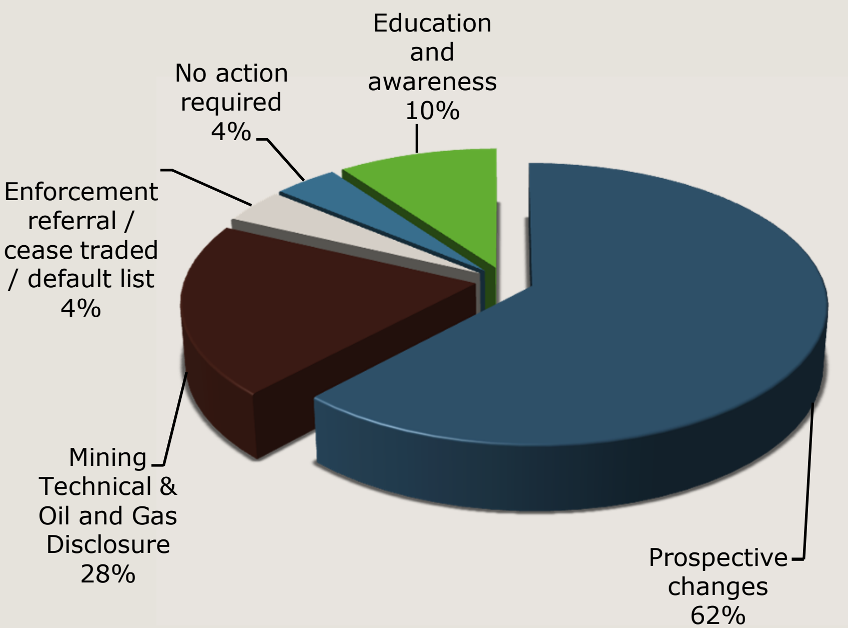
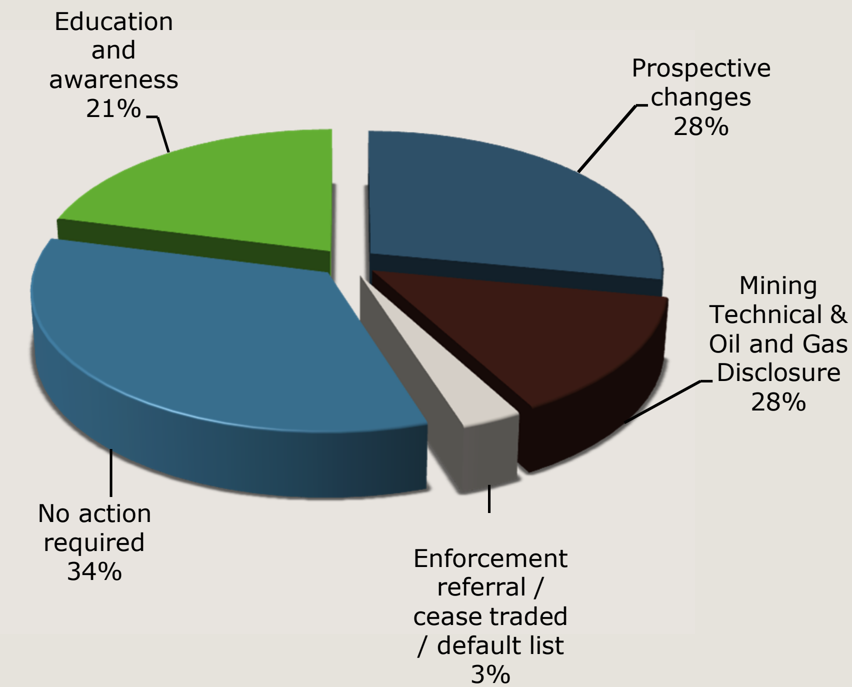
Ontario-Only Outcomes

Full CD Review Outcomes – Fiscal 2015



IOR CD Review Outcomes – Fiscal 2015



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Working Through a Comment Letter

Managing Interactions with Corporate Finance Staff

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Top Practice Points

1. Comply with response on timely basis
2. Involve the right people
3. Clarify with staff if unsure
4. Provide fulsome response
5. Filing documents on SEDAR during comment letter process
6. Be aware of review outcomes

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Management's Discussion and Analysis (MD&A)

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Background

- MD&A is a narrative explanation "through the eyes of management" which:
  - Provides a balanced discussion of a company's results, financial condition and future prospects – openly reporting bad news as well as good news
  - Helps current and prospective investors understand what the financial statements show and do not show
  - Discusses trends and risks that have affected or are reasonably likely to affect the financial statements in the future
  - Provides information about the quality and potential variability of company's earnings and cash flow

The MD&A should complement and supplement the company's financial statements.

General Considerations

- Focus on material information
- Would a reasonable investor's decision whether or not to buy, sell or hold securities of the Company likely be influenced or changed if the information in question was omitted or misstated?
  - Yes, then likely material
- Explain the whys
- Ensure that financial information readily reconciles with financial statements
- Ensure that discussion reconciles with technical report, if one has been filed
- Use plain language
- Ensure technical disclosure complies with NI 43-101 and NI 51-101

Common Deficiencies

Topic	Observations
Discussion of operations	▪ Factors that caused changes in revenues and costs ▪ Disclosure by reportable segment ▪ Plans and milestones for significant mining projects, and costs to take the projects to next stage
Liquidity and capital resources	▪ Ability to generate cash and working capital requirements ▪ Restrictions on subsidiaries' ability to transfer money ▪ Commitments and availability of financing
Related party transactions	▪ Completeness of disclosure ▪ Business purpose and economic substance of transaction ▪ Relationship and identity of related party ▪ Generic (not entity-specific) ▪ Potential impact on company is not disclosed
Risks and Uncertainties	▪ Generic (not entity-specific) ▪ Potential impact on company is not disclosed
Forward looking information	▪ Failure to identify ▪ Non-specific or no factors and assumptions ▪ Previously disclosed FLI not updated

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MD&A

Discussion of Operations

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- Companies should provide an in-depth analysis of:
  - Net sales or total revenues by operating segment
  - Cost of sales or gross profit
  - Significant projects that have not generated operating revenues
  - Venture Issuers disclosure
  - Previous financing.

Simply repeating variances that can be calculated from the financial statements does not help investors understand trends. Omitting the analysis of a material variance or simply qualitatively explaining a variance without quantifying the impact of the explanation is not sufficient.

Observations

- Discussion of operations is boilerplate and does not provide entity-specific disclosure about changes in revenues and cost of sales.
- No disclosure by reportable segment
- Minimal disclosure of plans and milestones for significant mining projects, and costs to take the projects to next stage

Why important?

- Investors require meaningful discussion of operations so that they can better understand the reasons for any changes.

Include a detailed, analytical and quantified discussion of the various factors that affect revenues and expenses, beyond the percentage change or amount.

Example of Boilerplate Disclosure

- Repetition from financial statements
- No discussion of variances

The Company reported revenue of $7,600,000 for the year ended December 31, 2014, compared with $7,000,000 a year earlier, an increase of 9%. The growth is mainly due to the sales of X products.

Example of Entity-specific Disclosure

Discussion of variances

During fiscal 2015, the Company's sales increased by 9%. The Company undertook a new activity, namely the distribution of X product in the Canadian manufacturing sector. As at year end, because of a delay in the manufacturing of X products, this activity had not yet reached the level that management had anticipated. The sales of X products increased sales by 7%.

Quantification of factors

Since 30% of sales are made in US dollars, the depreciation of the Canadian dollar had a positive impact on sales. This impact was a 3% increase in sales.

Relationship with volume of sales

Despite the positive effect of the introduction of X product and of the exchange rate, the arrival of a new competitor forced the Company to decrease its sale price on product Y. With this decrease, the Company was able to maintain the sale volume of product Y. Due to the quality reputation of product Y, management believes that no other decrease of the sale price will be necessary to maintain the sale volume of product Y in the future. The decrease in the sale price caused a 1% decrease in sales.

Hot Buttons

Areas	Considerations
Revenues	▪ Have changes caused by the following factors been disclosed? • Selling prices • Volume / quantity of goods and services • Introduction of new products or services • Any other factors
Costs	▪ Have changes caused by the following factors been disclosed? • Labour and material costs • Price changes • Inventory adjustments • General and Administrative expenses
Segments	▪ Does the disclosure discuss performance of all reportable segments disclosed in the financial statements?
Risks and uncertainties	▪ Does disclosure include commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance?

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MD&A

Liquidity and Capital Resources

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Liquidity

- Companies should discuss the following:
  - How they intend on generating sufficient amounts of cash in the short and long term
  - If a working capital deficiency exists, its ability to meet obligations and how the company intends on remedying the deficiency
  - Trends or expected fluctuations in liquidity
  - Liquidity risks associated with financial instruments
  - Significant risks of defaults or arrears
  - How the company intends to cure the default or arrears or address the risk
- Repeating cash flow information that is readily available from the financial statements is not sufficient.

While these disclosures are required for all issuers, they are especially important when issuers have negative cash flows from operations, negative working capital position or deteriorating financial condition

Capital Resources

- Companies should provide an analysis of capital resources including:
  - Commitments for capital expenditures as of the date of the financial statements detailing:
    - the amount, nature and purpose of these commitments
    - the expected source of funds to meet these commitments
    - the expenditures not yet committed but required to maintain capacity, to meet growth or fund development activities
  - Known trends or expected fluctuations in company's capital resources
  - Sources of financing that the company has arranged but not yet used

Disclosure should include an explanation of the planned activities to meet growth and fund development activities, along with a quantification of the capital expenditures to be incurred for those activities.

Liquidity and Capital Resources

Observations

- A meaningful analysis of the company's ability to generate sufficient cash, address its working capital requirements and its ability to access financing to meet its committed expenditures is not always provided.

Why important?

- Investors need to clearly understand any anticipated funding shortfalls and financing resources available to meet spending commitments and continue key projects.

Companies should explain their current liquidity position and how they will fund upcoming operating commitments and other obligations.

Hot Buttons

Areas	Considerations
Ability to generate sufficient cash	▪ Is there an analysis of the company's ability to generate sufficient cash in the short term and the long term to: • meet funding needs? • meet planned growth? • fund development activities?
Working capital requirements	▪ Are the company's working capital requirements disclosed? ▪ If a working capital deficiency exists, or is expected, is there a discussion on the company's: • ability to meet obligations as they become due? • plans, if any, to remedy the deficiency?

Hot Buttons (cont'd)

Areas	Considerations
Spending requirements	▪ Is an analysis provided on commitments for: • capital expenditures? • any expenditures required to continue key projects? ▪ Has the nature, amount and purpose of commitments, and expected source of funds to meet these commitments been disclosed?
Sources of financing	▪ Is there a discussion on how difficulties in obtaining financing could affect: • status of projects? • ability to continue as a going concern? ▪ Have the expected sources of financing that are being pursued been identified? ▪ Are there restrictions on the ability of subsidiaries to transfer funds to your company?

Example of Boilerplate Disclosure

- Identifies working capital deficiency
- No explanation of how deficiency will be remedied
- No explanation of how they will meet obligations

At year end, the company had cash of $10,000, total current assets of $500,000 and total current liabilities of $700,000. This resulted in a working capital deficiency of $200,000. Nonetheless, management is confident that the company has adequate financial resources to address its requirements and can arrange alternative sources of financing, if necessary.

Example of Entity-specific Disclosure

Ability to generate cash

The company, which is involved in early stage exploration, has no sources of revenue and does not anticipate receiving revenue in the foreseeable future. At year end, the company had cash of $10,000, total current assets of $500,000 and total current liabilities of $700,000. This resulted in a working capital deficiency of $200,000.

Ability to meet working capital obligations

Subsequent to year end, the company has entered into an agreement to borrow an additional $3 million from shareholders to meet current and future working capital requirements.

Expected sources of funds

In the short term, the company intends to principally rely on advances from shareholders and the exercise of options to fund operating costs. However, there is no assurance that shareholders will advance a sufficient amount of funds to the company or that a sufficient number of options will be exercised.

Example of Entity-specific Disclosure (cont'd)

The company is also exploring other financing alternatives to address both its short term operating and long term financing requirements, such as optioning out interests on its properties and the sale and leaseback of capital assets.

Cash burn rate

Working capital / capex requirements

The company's monthly cash operating costs are approximately $100,000. In addition, in accordance with the provisions of the option agreement with Explorco, the company must spend $25,000 per month for each of the next 12 months in order to exercise its option to acquire a 50% interest in the ABC property. If it is unable to meet its exploration obligations, it will lose its interest in the property. The company has also budgeted $650,000 to conduct exploration on its WXY Property over the next 12 months.

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Transactions Between Related Parties

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Observations

- In some instances, transactions with related parties are not identified as related party transactions (RPTs). In other instances, the identities of related parties and the business purpose and economic substance of RPTs are not disclosed and explained.

Why important?

- Comprehensive disclosure is essential for investors to understand and evaluate RPTs. They must be aware of RPTs and the identity of the related parties involved, and understand the business purpose and economic substance of each transaction.

Companies must clearly disclose and discuss ALL related party transactions, including the identities of the parties and their relationship to the company, as well as the business purpose and economic substance of each transaction.

Hot Buttons

Area	Considerations
Disclosure of all RPTs	▪ Are all transactions between related parties disclosed and discussed?
Identity and relationship of related party	▪ Is there disclosure of: • The name of the related party (not only the related party's position or relationship with the company)? • The name of ultimate beneficiaries of the related party transaction, where the transaction is conducted through a corporate entity? • The relationship between the company and the related party?
Business purpose and economic substance of transaction	▪ Are the reasons for entering into the RPTs disclosed and explained? • Are the economic benefits to the company from each RPT disclosed and explained? • Is there disclosure of the consideration that was paid? • Is there an explanation as to why the company acquired assets or services from a related party as opposed to an arm's length party? • Is the discussion quantified where possible?

Hot Buttons (cont'd)

Area	Considerations
Recorded amount of transaction and measurement basis used	▪ Is the recorded amount of the transaction and the measurement basis used disclosed?
Ongoing or contractual or other commitments	▪ Is there disclosure and discussion of ongoing contractual or other commitments arising out of RPTs?
Processes and procedures for identifying, evaluating and approving RPTs	▪ Is there a description of management and the board's processes and procedures for identifying, evaluating and approving RPTs?

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MD&A

Non-GAAP Financial Measures and Additional GAAP Measures

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What are Non-GAAP Financial Measures?

- "Non-GAAP measures" are those that exclude or include certain items as determined by the company, rather than amounts that can be found in, or derived from, financial statements
  - In other words, non-GAAP measures are not based on generally accepted accounting principles (GAAP)
  - Examples commonly include:
    - EBITDA
    - Free Cash Flow
    - Adjusted Earnings Per Share
- Companies often report some form of non-GAAP measures in addition to financial statement information in order to better analyze their results and report performance
- Guidance in CSA Staff Notice 52-306 (Revised)

Non-GAAP Financial Measures – Expectations

- Should not present non-GAAP measure that confuses or obscures comparable GAAP measure

- Non-GAAP measures should be accompanied by appropriate disclosure:
  - caution that measure does not have any standardized meaning in GAAP and is unlikely to be comparable to similar measures presented by other companies
  - the most directly comparable GAAP measure, presented with equal or greater prominence
  - why the measure provides useful information to investors
  - reconciliation to the most directly comparable GAAP measure
  - explain any changes in the composition of the measure when compared to previously disclosed measures

- Companies should not describe adjustments as non-recurring, infrequent or unusual when a similar loss or gain reasonably likely to occur or has occurred before (2 year window)

Non-GAAP Financial Measures

Observations

- Many companies disclose non-GAAP financial measures, such as EBITDA, however they often do not explain why these measures provide useful information to investors. As well, these measures are not always reconciled to the most directly comparable GAAP measure.

Why important?

- Since non-GAAP financial measures do not form part of IFRS and as such do not have a standardized meaning or calculation, it is critical that companies explain the composition of the measure and its relevance so that investors and analysts are fully informed.

When providing non-GAAP financial information, companies should not mislead investors nor obscure the company's GAAP results.

Types of Potential Non-GAAP Financial Measure Deficiencies

Potential Deficiencies	Examples
Measures that are presented with greater prominence than GAAP measures	▪ Disclose non-GAAP measure in press releases without providing the most directly comparable GAAP measure in the press release.
Measures that spotlight the good and play down the bad	▪ Disclose positive adjusted working capital, calculated by excluding a negative net non-financial assets/liabilities amount, when the company has a working capital deficit. ▪ Disclose more positive adjusted operating cash flow, by excluding certain negative amounts.
Measures that are not used consistently from year to year	▪ Include impairment in the year when it is an expense, but exclude in the year when it is a reversal.

What Are Additional GAAP Financial Measures?

- Line item, heading or subtotal that is relevant to understand financial statements.
- Not a minimum line item mandated by IFRS.
- Because IFRS permits additional GAAP measures – they are not non-GAAP measures.

Additional GAAP Financial Measures – Presentation

- Name AGM in a way that distinguishes it from minimum IFRS line item, and is meaningful given its composition
- Should not confuse, obscure or exceed prominence of minimum disclosure items required by IFRS
- Why it provides useful information to investors and the additional purposes, if any for which management uses the measure
- Reader should be able to easily determine how AGM is calculated from items required by IFRS
- Present AGM consistently over time

Non-GAAP Financial Measures – Hot Buttons

Areas	Considerations
Usefulness	▪ Has the company disclosed: • why the non-GAAP financial measure is useful to an investor? • why management considers the non-GAAP financial measure to be useful?
Reconciliation	▪ Is a reconciliation between the non-GAAP financial measure and the most directly comparable GAAP measure provided?
No standardized meaning	▪ Does the disclosure explicitly state that there is no standardized meaning of the non-GAAP financial measure?
Prominence	▪ Has the comparable GAAP measure been presented with equal or greater prominence to the non-GAAP financial measure?
Explain changes from previous years	▪ If composition of the non-GAAP financial measure has changed from the previous year, has disclosure of the reasons for these changes been made?

MD&A

Forward-looking Information

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Forward-looking Information

- OSC Staff Notice 51-721 *Forward-Looking Information Disclosure* (June 2013)

What is Forward-looking Information (FLI)?

- **Disclosure regarding:**
  - possible events
  - possible financial performance
- **Based on:**
  - future economic conditions
  - future courses of action
  - includes non-financial information such as:
    - key performance indicators
    - FOFI
    - financial outlook
    - targeted efficiencies
    - metal price assumptions
    - projected production levels

- **FOFI**
  Forward-looking financial information presented in the format of historical financial statements.

- **Financial Outlook**
  Forward-looking financial information **NOT** presented in the format of historical financial statements.
  - Examples include:
    - projected EBITDA
    - projected earnings per share (EPS)
    - revenue targets
    - operating ratios
    - R&D spending
    - projected operating costs

Forward-Looking Information

Observations

- Companies that choose to disclose FLI often fail to label it as such. They generally provide non-specific disclosure instead of disclosing specific factors and assumptions supporting FLI. Companies also often do not update previously disclosed FLI when events and circumstances are reasonably likely to cause actual results to differ materially from previously disclosed material FLI.

Why important?

- Investors want transparent and clear disclosure about present and future corporate operations and performance. When prepared properly, FLI can be used to enhance transparency and provide opportunities to increase the investor's understanding of a reporting issuer's business and future prospects.

FLI should provide valuable insight about the reporting issuer's business and how that reporting issuer intends to attain its corporate objectives and targets.

Forward-Looking Information – Hot Buttons

Area	Considerations
General	▪ Is FLI identified? ▪ Is there a reasonable basis for the disclosed FLI? ▪ Are assumptions supporting financial outlook and FOFI reasonable and entity-specific? ▪ Is the FLI presented for a reasonable period?
Disclosure	▪ Are the assumptions used to develop FLI disclosed? ▪ Have users been cautioned that actual results may vary from FLI? ▪ Have the risk factors that could cause actual results to vary been identified? ▪ Has previously disclosed FLI been updated if actual results differ materially? ▪ Have material differences between actual results and previously disclosed financial outlook and FOFI been disclosed?

Example of Boilerplate Disclosure – Comparison to Actual

No comparison of actual results to financial outlook

ABC Company achieved sales growth of 10.5% in 2014 and maintained capital expenditures at $15 million.

Example of Entity-specific Disclosure

Comparison of Actual Results

2015 Objectives	Accomplishments in 2015
Sales growth of 3 to 4%.	▪ Sales growth of 10.5%. ▪ The increase in sales growth achieved during fiscal 2015 was due to the introduction of product XX in Q3 which resulted in a growth of 6% of sales, reduction of the selling price of product Y which resulted in the increase in sales volume of 75%, and the increase in the sales volume of product R.
Capital expenditure of $25 to $35 million.	▪ Capital expenditure of $15 million. ▪ Spending was substantially lower than anticipated due to lower information technology enhancement requirements ($8 million) and less equipment replacements ($7 million).

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Venture Issuer Regulation

Amendments to NI 51-102, NI 41-101, and 52-110

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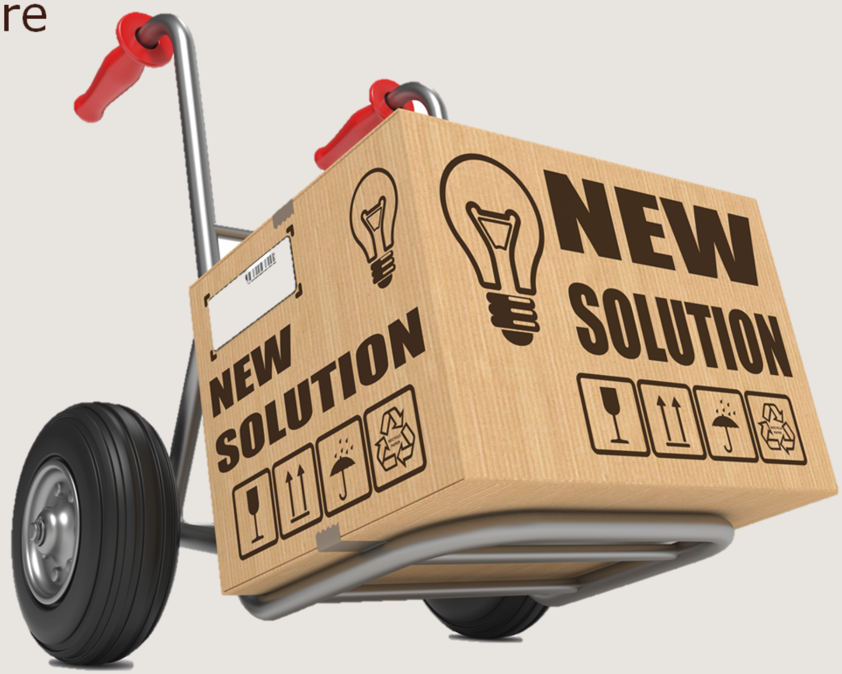
Why Did the Rules Change?

- Targeted changes
- Recognize stage of development
- Reduce burden

What Changed?

- MD&A quarterly highlights
- Business acquisition reporting
- Executive compensation disclosure
- Prospectus disclosure
- Audit committee requirements



MD&A Quarterly Highlights

- Tailored and focused
- Discusses material information
- Only for interim periods
- Optional

Expectations for Quarterly Highlights

- Where to start?
  - Remember the goal of MD&A

- Keys to success
  - Focus only on material information
  - Balanced and accurate
  - Narrative

- How will success be measured?
  - Will investors understand the business?
  - Operating milestones
  - Liquidity and capital resources

Business Acquisition Reporting

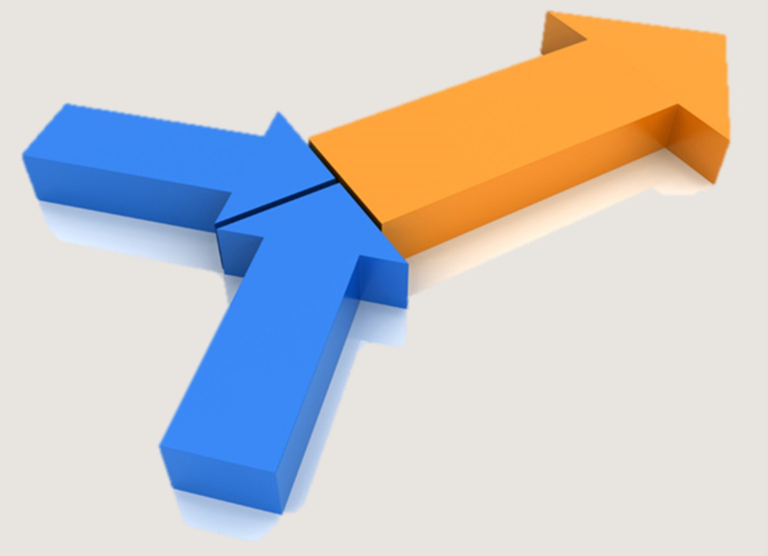
- Significance threshold moving from 40% to 100%
- Requirement for pro forma financial statements removed
- Consistent approach among filing types

Executive Compensation

- New optional venture issuer form (Form 51-102F6V)
- Disclosure for three NEOs instead of five
- Information covers only two years
- No grant date fair value

Prospectus Changes

- Reduce annual F/S history from three to two years
- Harmonize:
  - MD&A
  - BAR
  - Executive compensation



Audit Committee Changes

- Enhanced Governance Requirements
- Alignment with existing TSXV requirements

Other Changes

- Filing deadlines for executive compensation disclosure
  - Venture: 180 days
  - Non-venture: 140 days

- AIF
  - Conform mining disclosure in AIF to disclosure in NI 43-101

Transitional Timing

- Effective June 30th, 2015:
  - Business acquisition reporting
  - Executive compensation disclosure
  - Most prospectus changes

- Effective dependent on F/Y end:
  - Quarterly highlights
    - F/Y beginning on or after July 1, 2015
  - Audit committee
    - F/Y beginning on or after January 1, 2016
  - Executive compensation filing deadline
    - F/Y beginning on or after July 1, 2015

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CSA Multilateral Staff Notice 58-307

Staff Review of Women on Boards and in Executive Officer Positions – Compliance with NI 58-101 Disclosure of Corporate Governance Practices

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Background

- Rule Amendments
  - Amendments to NI 58-101 – Disclosure of Corporate Governance Practices came into effect for years ending on or after Dec 31, 2015 for all non-venture issuers
- Objective of Amendments
  - Increase transparency for investors and other stakeholders regarding women on boards and in executive office positions
  - Promote the representation of women on boards and in executive officer positions

Scope of Review

- Sample contains **722** issuers with **December 31, 2014 to March 31, 2015 year-ends** that released disclosure on corporate governance by July 31, 2015
- Industry
  - **45% in mining or oil and gas** with other industries evenly represented
  - Few financial service issuers included given the later timing of financial services sector year-ends
- Market capitalization
  - **72% below $1 billion**
  - **8% between $1 and 2 billion**
  - **20% above $2 billion**

Disclosure Requirements

- Director term limits and other mechanisms of board renewal
- Policies regarding the representation of women on the board
- Director identification and selection process
- Executive officer appointments
- Targets
- Number of women on boards and in executive officer positions

The OSC SME Institute

Other Interactions with Corporate Finance Staff

OSC

ONTARIO SECURITIES COMMISSION

Applications for Exemptive Relief

National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*

- Principal Regulator – Most significant connection test
- Types of Applications – Passport, Dual, Coordinated Review
- Fees
- Previous Decisions – Routine vs. Novel
- Filing Materials and Draft Decision Document
- Review Process and Comment Letters

Business Acquisitions Report (BAR) Relief

Part 8 of NI 51-102 *Continuous Disclosure Obligations*

- If issuer makes a "significant acquisition" they must file a BAR within 75 days
- BAR must include certain financial statement disclosure for the significant acquisitions
- Relief from including certain financial statement disclosure is provided in certain circumstances where historical accounting records cannot be reconstructed
- Time or cost involved in preparing and auditing the financial statements is not an acceptable reason for requesting relief
- Issuer must apply for relief before the filing deadline for the BAR
- Precedent Decisions – Routine vs. Novel

Pre-File Applications

- When to submit a pre-file application
  - Novel issue or policy concern
  - Differs from precedent
- Confidential
- Pre-file should be made sufficiently in advance of application
- Principal Regulator ONLY
- Pre-filing should be disclosed in the related application
- Fees credited to application

Cease Trade Orders (CTO)

National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*

- What is a specified default?
  - Failure to file the following documents within the time period prescribed
    - Annual or interim financial statements
    - Annual or interim MD&A
    - Annual information form
    - Certification of filings under NI 52-109
- How do regulators respond to specified defaults?
  - CTO
  - MCTO
- Issuer should make sure that it continue to satisfy all of its other continuous disclosure obligations during the period of default

Management Cease Trade Orders (MCTO)

- How is a MCTO different than a CTO?
  - Voluntary process
  - Insiders and management subject to CTO rather than issuer
  - All other investors can continue trading
- Issuers satisfying the following criteria are eligible
  - The outstanding filings will be filed within a reasonable period
  - The issuer is generating revenue from its principal business or is actively pursuing the development of products or properties
  - The issuer has necessary financial and human resources in place to address the default and comply with other CD requirements for the duration of the default
  - The issuer's securities are listed on a Canadian stock exchange and there is an active liquid market for the securities
  - Issuer is not on defaulting RI list in any jurisdiction
- Application
  - 2 weeks prior to filing deadline

New Process for Issuance CTOs and MCTOs

- New process commences December 15, 2015
- Issuance of CTOs and MCTOs
- Old Process for specified defaults
  - In Ontario, a temporary CTO or MCTO was issued and issuers were provided an opportunity to be heard before the issuance of a permanent CTO or MCTO
- New process for specified defaults
  - Authority under s. 127(4.1) of the Securities Act (Ontario)
  - There will be no temporary CTO or MCTO and issuers will not have an opportunity to be heard
  - Permanent CTO or MCTO will be issued
  - Consistent with most other CSA jurisdictions

Revoking a CTO (in effect for **less** than 90 days)

- Staff will generally revoke a CTO if within 90 days of the date of the CTO the default is remedied and the issuer's continuous disclosure is brought up to date

- Old Process – CTO issued before December 15, 2015
  - Formal application and application activity fee required

- New Process – CTO issued after December 15, 2015 and opportunity to be heard was not granted
  - Formal application and application activity fees are not required

- Participation fees and late fees still apply!

Revoking a CTO (in effect for **more** than 90 days)

National Policy 12-202 *Revocation of a Compliance-related Cease Trade Order*

- Application in all jurisdictions where there is a CTO
- Fee
- Full Revocation
  - Compliance Review
  - Outstanding continuous disclosure has been filed
  - Outstanding fees are paid
  - Annual meeting
  - News release announcing revocation and future plans

Revoking a CTO (in effect for **more** than 90 days) (cont'd)

- Partial Revocation
  - To permit certain transactions
  - Issuer intends to apply for a full revocation
  - Use of proceeds
  - Conditions to partial revocation – acknowledgement and copies of CTO and revocation
  - Continuing effect of CTO

Public Inquiries

- General Inquiries
  - Phone: **416-593-8314** or **1-877-785-1555**
  - Email: **inquiries@osc.gov.on.ca**

- Contact Centre
  - Questions about a routine matter
  - Questions about a complex matter
    - Referred to subject matter expert within the Commission

Prospectus Considerations

- CSA Staff Notice 41-307, Concerns Regarding and Issuer's Financial Condition and the Sufficiency of Proceeds from a Prospectus Offering
  - To alert issuers and their advisors about our approach were there are concerns regarding the financial condition of an issuer and/or the sufficiency of proceeds in context of a prospectus offering.
  - Guidance applies to issuers that have short term liquidity concerns and/or offering that do not appear to raise sufficient proceeds to accomplish stated purpose in prospectus
  - Concerns may affect our ability to recommend that a receipt be issued
  - Disclosure alone may not be sufficient to satisfy receipt refusal concerns in some circumstances
  - To protect integrity of capital markets

CSA Staff Notice 41-307 – Areas of Focus

- Offering Structure
  - Best efforts offering
  - Base shelf prospectus
  - Rights offering
- Use of Proceeds Disclosure
  - Principle Purpose
  - Business objectives and milestones
- Risk Factor Disclosure
- Representations to Support ability to continue as going concern

Appendix A

Key References

Useful Resources for Companies

- Electronic copies of securities legislation and related guidance
  - National instruments, policies and staff notices can be found on the OSC's Website (Securities Law and Instruments / Instruments, Rules and Policies)
  - The Securities Act (Ontario) can be found at **http://www.ontario.ca/laws/statute/90s05**

- Other information available on the OSC's website (Industry / Companies)
  - Reporting issuer list
  - Refilings and errors list
  - Calendar of upcoming SME sessions
  - Slides from SME sessions held over the past year

Topic	Reference
CD Regulation 101	
Continuous disclosure obligations	▪ NI 51-102 *Continuous Disclosure Obligations* ▪ NI 52-107 *Acceptable Accounting Principles and Auditing Standards* ▪ NI 52-109 *Certification of Disclosure in Issuers' Filings*
Materiality	▪ Subsection 4.2 of NP 51-201 *Disclosure Standards*
Corporate Governance	▪ NI 58-101 *Disclosure of Corporate Governance Practices* ▪ NP 58-201 *Corporate Governance Guidelines* ▪ NI 52-110 *Audit Committees*

Topic	Reference
Management's Discussion and Analysis	
Discussion of operations	▪ Item 1.4 of Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations*
Liquidity and capital resources	▪ Items 1.6 and 1.7 of Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations*
Transactions between related parties	▪ Items 1.9 of Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations*
Non-GAAP Financial Measures	▪ CSA Staff Notice 52-306 (Revised) – *Non-GAAP Financial Measures and Additional GAAP Measures and CSA Staff Notice* ▪ OSC Staff Notice 52-722 *Report on Staff's Review of Non-GAAP Financial Measures and Additional GAAP Measures*
Forward Looking Financial Information	▪ CSA Staff Notice 51-721 *Forward Looking Information Disclosure*

Topic	Reference
Other Regulatory Obligations	
Prospectus and other offering documents	▪ NI 41-101 *General Prospectus Requirements* ▪ NI 44-101 *Short Form Prospectus Distributions*
Exempt distributions	▪ NI 45-101 *Rights Offerings* ▪ NI 45-106 *Prospectus and Registration Exemptions*
Applications	▪ NP 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* ▪ NP 12-202 *Revocation of a Compliance-related Cease Trade Order* ▪ NP 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*

Appendix B

Contact Information

Contact	Information
General	
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