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Continuous Disclosure Special Topics I
Risk and Cash Flows

Corporate Finance Branch

September 18, 2012

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Presentation Outline

Welcome and Introduction to the OSC SME Institute

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OSC SME Institute - Objectives

Our goal is to:

- Help SMEs navigate the regulatory waters
- Demystify disclosure requirements so companies can focus on building their business
- Reduce SMEs' cost of compliance so that this money can be better spent on strategic initiatives
- Provide an opportunity for informal dialogue with OSC staff

Disclosure requirements, including those for financial reporting, are a cornerstone of investor confidence

Today’s Seminar Topics:
Risk and Cash Flows

Today's Seminar Topics – Risk and Cash Flows

The objective of today's seminar is to help you understand the following three key areas:

1. The importance of enterprise risk management (ERM)
2. How to provide disclosure that gives greater insight into your business
3. Regulatory requirements and staff's expectations

Today's Seminar Topics – Risk and Cash Flows

1. Understand the Importance of ERM

Critical activity for all companies

- Regardless of the size, complexity, risk profile or organizational structure of the company, all companies should pay serious attention to identifying, analyzing and monitoring risks and uncertainties that may adversely impact their business and/or future viability

- Timely identification, analysis and monitoring of risks relating to the company's financial condition and cash flow is critical for the future viability of the company

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Today's Seminar Topics – Risk and Cash Flows

2. Provide Disclosure which Gives Greater Insight into your Business

(a) Meaningful information

- Disclosure of risks and uncertainties, including those related to cash flows, and the strategies used to manage those risks, provides meaningful information to investors on the company's risk profile and the processes it has implemented to preserve and enhance shareholder value

(b) Predictive value

- Investors and other stakeholders want information that helps them predict what will happen to the company and its future financial performance, which determine the value of their investment

Today's Seminar Topics – Risk and Cash Flows

2. Provide Disclosure which Gives Greater Insight into your Business (cont'd)

(c) Attracting analyst coverage

- Studies indicate that analysts are more likely to follow those companies that provide information that enables them to forecast future earnings and cash flows

(d) Cost of capital

- Studies suggest that investors place greater value on companies that provide comprehensive disclosure, which ultimately benefits the company in terms of lower cost of capital and higher stock premium

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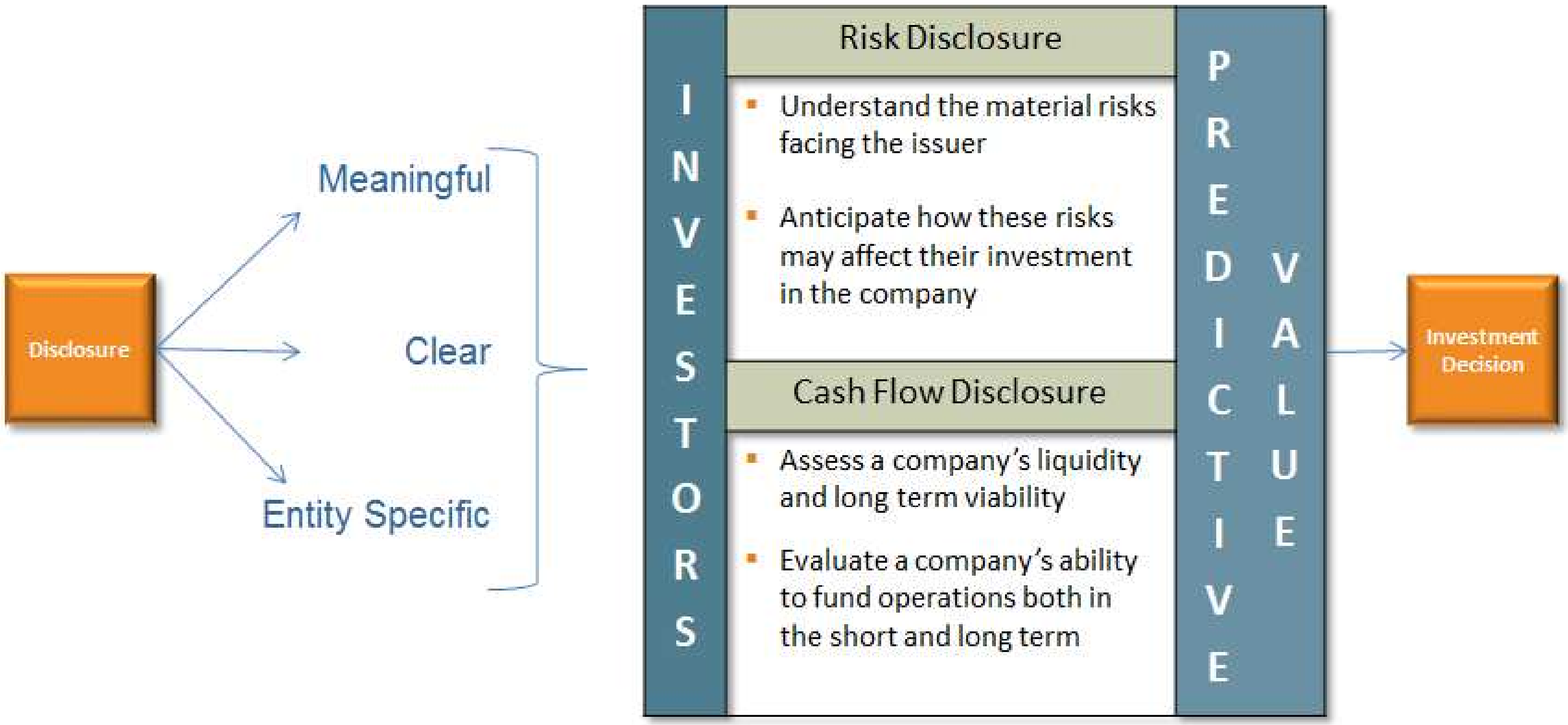
Today’s Seminar Topics – Risk and Cash Flows

Insightful Disclosure Facilitates Informed Investment Decisions



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Today's Seminar Topics – Risk and Cash Flows

3. Understand the Regulatory Requirements and Expectations

(a) Reducing deficiencies in future filings

- Companies that understand the securities requirements are better positioned to provide compliant disclosure which results in lower compliance costs for the company and speeds up regulatory review

(b) Make better and cost-effective use of your time

- Understand how to navigate the regulatory waters so that you can focus on growing your business rather than deciphering rules and regulations

Enterprise Risk Management for SMEs and Risk Disclosure

Overview of Enterprise Risk Management

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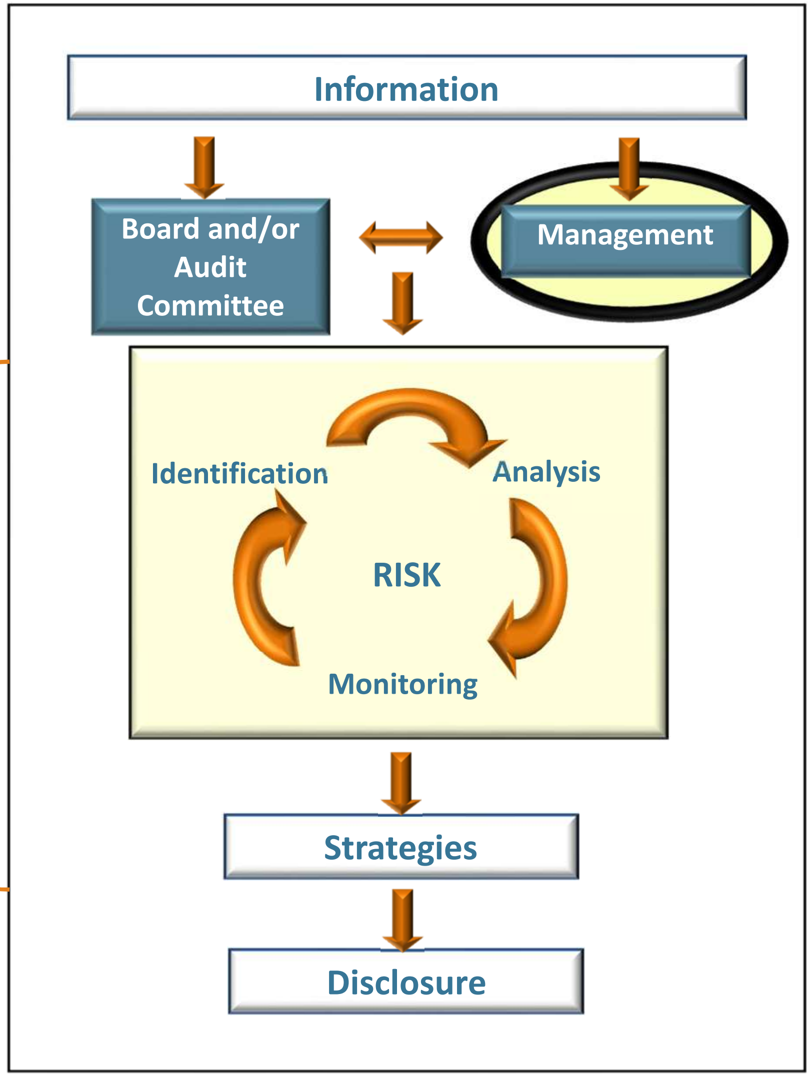
Overview of Enterprise Risk Management

Enterprise Risk Management



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Key Players in ERM

Management	Prepares disclosure of risk and uncertainties to be included in management's discussion and analysis (MD&A), annual information form (AIF) and prospectuses
Board of Directors	Approves the annual and interim: • financial statements[1] • MD&A[2] before they are filed
Audit Committee	Reviews the financial statements, MD&A and profit or loss press releases prior to their public disclosure[3]

Notes:

[1] – Responsibility to approve the interim financial reports and MD&A may be delegated to the audit committee

[1] – Item 4.5(1) and (2) of NI 51-102 *Continuous Disclosure Obligations* (**NI 51-102**)

[2] – Item 5.5(1) and (2) of NI 51-102

[3] – Item 2.3(5) of NI 52-110 *Audit Committee Responsibilities*

Securities Requirements

Securities Requirements – Risk Disclosure

Requirements are found in four filings:

1. Financial Statements	Disclose factors such as material uncertainties related to going concern assessment and risks associated with financial instruments[1]
2. MD&A	Discuss important trends and risks that have affected the financial statements and those that are reasonably likely to affect them in the future such as a significant risk of defaults or arrears and risks associated with financial instruments[2]
3. AIF 4. Prospectus offering	Disclose risk factors relating to the company and its business that would be most likely to influence an investor's decision to purchase securities of the company[3]

Notes:

[1] – IAS 1 *Presentation of Financial Statements* and IFRS 7 *Financial Instruments: Disclosures*

[2] – Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations* **(NI 51-102)**

[3] – Form 51-102F2 of NI 51-102, Form 41-101F1 of NI 41-101 *General Prospectus Requirements* and Form 44-101F1 of NI 44-101 *Short Form Prospectus Distributions*

Observations

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Observations

- Risks disclosed are generic in nature and not specific to the issuer
- Potential impact (qualitative and/or quantitative) of how the risk may affect the issuer is not always disclosed
- Strategies to manage the risks are often not disclosed
- Minimal changes made to risk disclosure period after period even though economic conditions or operating environment may have changed

Disclose risks that are entity-specific and explain how those risks may impact your business so that stakeholders can predict how the risks may affect the company in the future

Example of Risk Disclosure

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Example of Boilerplate Disclosure

General and not specific to company

Potential impact is not disclosed

Competition risk:

Our industry is very competitive. We face significant competition from other manufacturers in all aspects of our business. Our competitors are larger in size, well established, international in scope and have significant financial resources. We continue to actively monitor the activities of our competitors with a view to ensuring that we will be able to effectively compete in the marketplace and attract new customers.

Refer to handout for additional examples of risk disclosures

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Example of Entity-specific Disclosure

Competition risk:

Entity specific

Entity specific

Strategies to mitigate the risks

We face significant competition from other manufacturers in Canada and Country ABC. Our competitors include Company Calao, Company Lagos. These competitors are well established, international in scope and have significant financial resources that permit them to develop new products, modify existing products, use specialized manufacturing techniques and market products on a global basis. Competition is based mainly on price, quality of product and efficiency of production. The increased competition may affect our sales, cash flow and financial condition. To mitigate competition risk, our strategies include creating long-term value for our customers and implementing efficient processes to manufacture our main product TopBox.

Refer to handout for additional examples of risk disclosures

Tips for Effective ERM and Meaningful Risk Disclosures

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Tips for Effective ERM and Meaningful Risk Disclosures

1. Prepare a strategic plan
2. Formulate the risk appetite
3. Implement a process for identifying, analyzing and monitoring risks
4. Develop strategies for managing the principal risks
5. Obtain relevant, objective and timely information
6. Disclose risks that are material and entity-specific
7. Disclose the potential impact of the risks
8. Disclose strategies to manage risks

Tip #1 – Prepare a Strategic Plan

- Prepare a strategic plan for the Board's approval
- Understand the key underlying assumptions and potential threats in executing the strategic plan
- Modify the strategic plan on a periodic basis to reflect changes in internal and external factors that may impact the company
- Provide regular progress updates to the Board on the execution of the strategic plan

Use the strategic plan as a road map for the company's objectives and to assess its performance against those objectives

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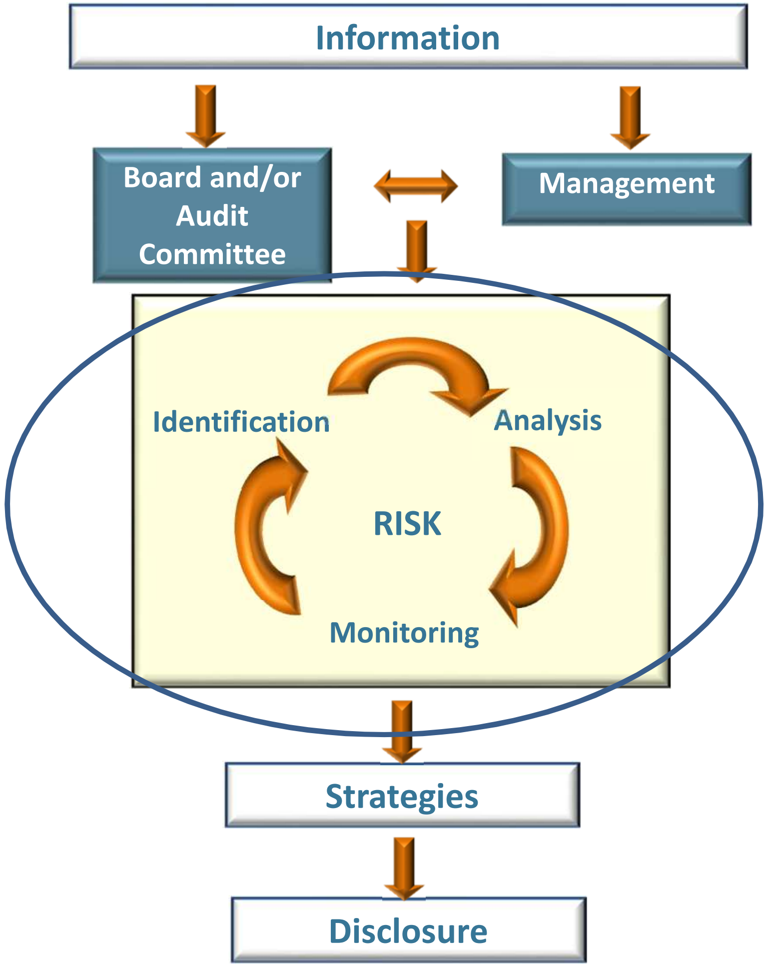
Tip #2 – Formulate the Risk Appetite

- Communicate the acceptable level of risk to everyone within the company on a regular basis
- Be clear and transparent in your disclosure on the amount and types of risks the company is willing to take
- Maintain ongoing dialogue with the Board on the appropriateness of the risk appetite as it may change over time

Establish a common understanding with everyone throughout the company on the amount and types of risk that the company is willing to accept in pursuing its strategy

Tip #3 – Implement a Process for Identifying, Analyzing and Monitoring Risks

- Regularly monitor the business environment for changes that may adversely impact the achievement of the strategy or introduce new risks
- Consider the interplay among the risk exposures facing the company
- The Board and management should agree on the types of risks that should be brought to the Board's attention and how those risks should be prioritized



Continuously assess the risks that the company faces, especially those that are capable of undermining the company's strategy or viability

Tip #4 – Develop Strategies for Managing the Principal Risks

- Consider whether the company's strategies address the material risks appropriately

- Discuss with the Board the following on a regular basis to make sure it is aware of the risk profile of the company:
  - the risks that are being actively managed according to a detailed plan
  - the risks that are not being actively managed

Understand the impact of any internal control deficiencies on a timely basis and their potential impact on the company

Tip #5 – Obtain Relevant, Objective and Timely Information

- Consider whether internal systems, processes and procedures are robust enough to provide sufficient information on the risks facing the company

- Review the information to determine whether changes in the business environment impact the validity of the assumptions underlying the strategic plan

- Consult with industry associations and peers to remain abreast of emerging risks

- Provide regular updates to the Board on changes in the company's risk profile

Obtain information, from both internal and external sources, on an ongoing basis regarding the risks facing the company and other factors that may impair continuing operations or ability to achieve strategic goals

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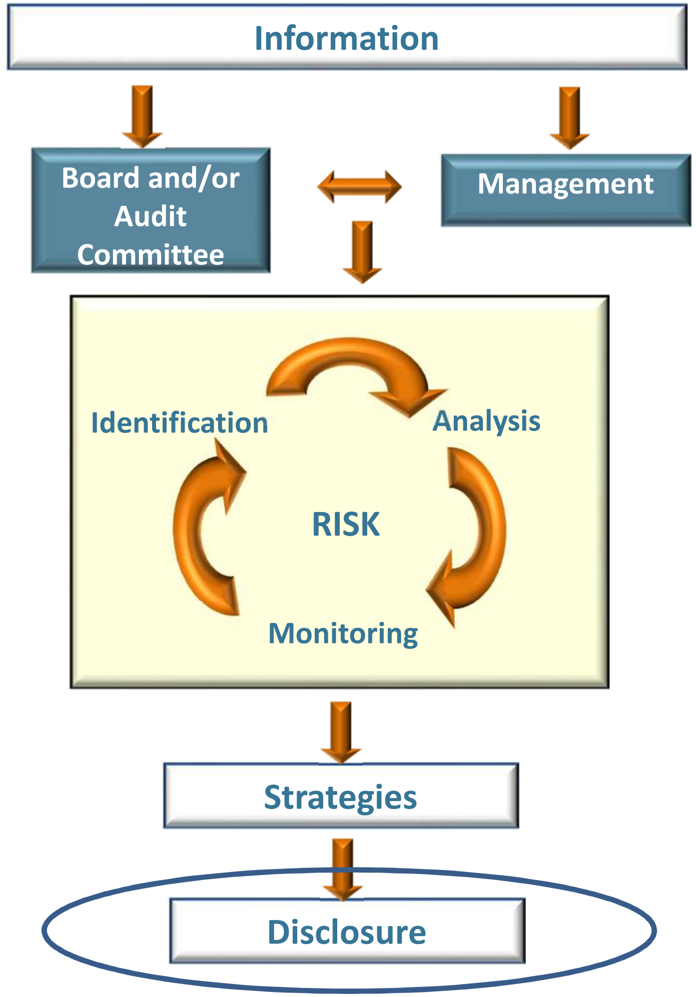
Tip #6 – Disclose Risks that are Material and Entity-Specific

- Disclose risks that are material to the company
- Provide transparent and plain language disclosure so that investors can understand and appreciate the significance of the risks to the company
- Avoid a ‘laundry list’ of every conceivable risk
- Review and update disclosure to reflect changes in the company’s risk exposures and strategy over the prior period



Provide draft filings to the Board with sufficient time for them to review the disclosures and provide their input

Tip #7 – Disclose the Potential Impact of the Risks

- Explain how each risk disclosed may impact the company (qualitatively and quantitatively to the extent possible)
- Include a sensitivity analysis, if possible, to convey how changes in underlying key assumptions may affect financial performance
- Update disclosure to reflect changing circumstances
- Provide the Board with timely and regular information so that the directors can assess the significance of the risks

Explain how the risk may impact the company so that investors can anticipate its effect on the company

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Tip #8 – Disclose Strategies to Manage Risks

- Disclose the strategies that have been put in place and how the risks are managed
- Provide timely disclosure of any significant changes in the risk management strategies

Disclose the short and long-term strategies in place to manage the risks facing the company

Cash Flow Disclosure - An Illustration of Effective Communication of Risks

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Why Cash Flow Information Is Important

- A company’s ability to generate cash impacts its liquidity and long term viability
- Cash flow is often a better measure of financial performance since it overcomes many limitations associated with accrual accounting
- Investors use cash flow information to:
  - Evaluate the company’s ability to generate cash
  - Assess the company’s risk profile
  - Determine the company’s valuation

Simply put, cash flow is the fuel of any business

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Sources of Cash Flow Information

- Cash flow information is communicated to investors through:
  - Financial Statements
  - MD&As
    - Non-GAAP financial measures

Cash Flow Information in Financial Statements

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Financial Statement Requirements

- IAS 7 contains the standards required for the preparation of statements of cash flows and related disclosures

- Two important areas covered by the standards:

  - Classification of cash flows according to operating, investing and financing activities

  - Disclosure of cash flow information such as the components of cash and cash equivalents

Classification - What does it Mean?

Cash inflows and outflows are separated into three categories:

Category	Description	Examples
Operating Activities	Cash flows derived from the principal revenue producing activities	Cash receipts from customers, cash payments to suppliers
Investing Activities	Cash flows relating to resources intended to generate future income and cash flows	Purchase of machinery, investment in securities not for trading purposes
Financing Activities	Cash flows used for funding future operations	Issuing shares, acquiring a bank loan, or repaying amounts borrowed

Classification - Why is it Important?

- Each of the categories is intended to measure different aspects of entity's performance and financial condition
- Analysts and investors often base company valuations on operating cash flow metrics
- Misstating cash flows from operations may:
  - Misrepresent the business' ability to generate cash internally
  - Affect an investor's determination of a company's overall value
  - Be misleading to investors

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Classifications - Observations

- Some companies misclassify items among operating, investing and financing activities
- Example:
  - Company A's sole business is the buying and selling of physical gold for short term profit
  - The turnover of gold on hand is generally 12 to 14 months
  - It classified cash flows from both buying and selling the gold as investing activities
  - It should classify these cash flows under operating activities

A material misclassification may be misleading to investors

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Disclosures - Observations

Components of cash and cash equivalents

- Some companies do not disclose sufficient detail about the components of cash and cash equivalents.
- Disclosure of the components allows investors to determine the level of liquidity represented by the company's cash and cash equivalents (e.g., asset backed commercial paper)

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Disclosures – Observations (cont'd)

Components of change in non-cash working capital

- Some companies present changes in non-cash working capital as one line in the statement of cash flow, without any note disclosure
- A break down of the changes in the various non-cash working capital items, either on the face of the statement of cash flows or in the notes, provides investors useful information

Going concern

- Some issuers do not provide sufficient information about their going concern issue
- Issuers should include disclosure of material uncertainties that cast significant doubt in ability to continue as going concern

Cash Flow Disclosure in MD&A

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MD&A Background

MD&A is a narrative explanation "through the eyes of management" which:

- Provides a balanced discussion of the 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 cash flow

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

MD&A Requirements - Liquidity and Capital Resources

In summary, disclose:

- Liquidity needs required to maintain capacity and meet growth plans
- Ability to meet those needs
- Risks and implications of not being able to meet the needs
- Trends and expected fluctuations
- Existing conditions that limit the use of funds
- Defaults or arrears, breaches of covenants, and how the company intends to cure

Explain current liquidity position and how the company will find upcoming operating and capital commitments and other obligations

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MD&A Disclosure - Observations

Areas where Staff often find deficiencies:

- Explanation of fluctuations in non-cash working capital
- Disclosure to highlight existing or potential liquidity concerns and risks
- Disclosure of terms and conditions stipulated by credit facilities and debt covenants
- Discussion of contractual obligations, commitments for capital expenditures, and capital resources
- Discussion of cash flow information by segments

It is important that MD&A provide a robust discussion and not just repeat the information in the financial statements. MD&A should address the "why"

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Example of Boilerplate Disclosure

Repetition of information from financial statements

During the period from January 1, 2011 to December 31, 2012, the Company's cash flow from operating activities increased from $3,746 to $4,641. The increase was primarily a result of an increase in net profit from $6,557 to $8,998, as well as an increase in accounts payable of $566 and an increase in deferred revenue of $98, partially offset by an increase in accounts receivable of $1,290, an increase in inventory of $924, and an increase in royalty receivable of $14.

Underlying reasons for the changes absent

Cash flow from investing activities increased year over year from negative $446 in fiscal 2011 to positive $817 in fiscal 2012. The primary reason for the increase was the sale of the company's 15% investment in ABC Company during 2011, and the sale of the Company's property in Brampton, Ontario, which generated total cash of $877, partially offset by the purchase of plant and equipment of $324, and increase in investment in marketable securities of $8.

Cash flow from financing activities increased year over year from negative $689 to negative $517, primarily because of a reduction in capital lease payments of $253, partially offset by an increase in share buy-backs of $976. The Company also made debt repayment of $65 in the year, and interest repayment of $8, both of which were lower than the year before.

Example of Entity-specific Disclosure

- Reasons behind operating cash flows changes
- How would management deal with issue
- Impact on future investing cash flows
- Impact on future financing cash flows

The increase in net profit during the year did not generate an equivalent increase in cash flows from operating activities. This was mainly due to the increases in accounts receivables and inventory as mentioned above, which placed a burden on the Company's liquidity. As mentioned, the increase in accounts receivable was expected to be non-recurring, and we have improved our inventory management system which is expected to lower the inventory level. The sale of the Company's investment in ABC Company and the property in Brampton, Ontario, which generated significant cash from investing activities this year, were strategic moves by the Company to reduce redundant assets. The study on efficient use of long term assets is now completed, and all non-performing assets have been identified and sold. Increase in share buy-backs reduced the increase in cash flow from financing activities year over year. This trend is expected to continue, as management believes the Company's shares are trading below their real value.

More effective disclosure can be achieved with fewer words when financial statements information is analyzed rather than repeated

Non-GAAP Financial Measures - Cash Flow Metrics

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Non-GAAP Financial Measures – What Are They?

- "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
    - Cash cost per ounce
- 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

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Non-GAAP Financial Measures – Why The Need for Caution

- The types of non-GAAP measures used vary extensively
- Many companies report non-GAAP measures that are calculated differently from their typical methods of calculation
- Because of the above, these measures need to be accompanied by appropriate disclosures to provide meaningful information to investors

Issuers should ensure that investors are not confused or misled by non-GAAP measures used inappropriately

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Non-GAAP Financial Measures - Requirements

- 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)

For further information see CSA Staff Notice 52-306

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Types of Potential Non-GAAP Financial Measure Deficiencies

Potential Deficiencies Presented by Non-GAAP Financial Measures	Example
▪ 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.

Non-GAAP Financial Measures Example

	2012	2011
Net earnings	$3,453	$2,768
Interest expense	335	326
Current and deferred taxes	522	468
Depreciation and amortization	45	48
Impairment charge	-	520
EBITDA	$4,355	$4,130

- In 2012, the Company recorded a reversal of impairment charge of $346 which was not consistently reflected in the EBITDA calculation
- Concerns:
  - Is this really "EBITDA" as it includes adjustments other than "ITDA"?
  - Includes the positive but omits the negative?
  - Are adjustments made consistently year to year?

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Non-GAAP Financial Measures
Example of Boilerplate Disclosure

Non-standard definition of EBITDA

No explanation of why it is helpful

No explicit language noting no standardized meaning

EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

EBITDA is to provide additional useful information to investors and analysts. Other companies may calculate EBITDA differently.

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Non-GAAP Measures
Example of Entity-specific Disclosure

Identifies the non-GAAP measure as Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

Explanation of why it is helpful

Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt, and fund future capital expenditures and uses the metric for this purpose. The exclusion of impairment charges eliminates the non-cash impact. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing a company.

No standardized meaning

Assuming consistent disclosure from year to year

The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate Adjusted EBITDA differently.

Cash Circumstances Warranting Disclosure

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Cash Circumstances Warranting Disclosure

1. Potential liquidity concerns
2. Mismatch between revenue growth and cash inflows
3. Significant decline in operating cash flows
4. Change in non-cash working capital as primary source of operating cash flows
5. Disinvestment activities
6. Unusual non-cash transactions
7. Significant future cash requirements

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1. Potential Liquidity Concerns

Cash Circumstance

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Issuer has negative cash flows from operating activities
+ negative working capital

Disclosure:

- Should highlight this condition and the associated risks
- Discuss mitigating factors and plans that will be used by management to alleviate the situation
- Disclosure of plans should be entity specific and detailed, rather than just pointing out all possible sources of financing

2. Mismatch Between Revenue Growth and Cash Inflows

Cash Circumstance
=
Negative cash flows from operating activities
+ significant revenue growth

Disclosure:

- Explain the reasons for the condition as well as implications on the company's business model
- Discuss expected trends related to this circumstance
- Provide balanced disclosure that highlights risks resulting from negative cash flows from operating activities in addition to discussing revenue growth

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3. Significant Decline in Operating Cash Flows

Cash Circumstance

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Significant drop in cash flows from operating activities in a certain period

Disclosure:

- Disclose the reasons for the drop in a comprehensive and plain language manner to provide meaningful information
- Discuss management's strategy for overcoming the situation

4. Change in Non-Cash Working Capital as a Primary Source of Operating Cash Flows

Cash Circumstance
=
Significant fluctuation in cash flows related to non-cash working capital items
OR
Increase in current liabilities as the main contributor to operating cash flows

Disclosure:

- Explain reasons for changes in components of non-cash working capital
- Discuss expected trends related to the fluctuations in non-cash working capital

5. Disinvestment Activities

Cash Circumstance

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Significant and/or continuous cash inflow from investing activities

Disclosure:

- Disclose rationale behind the transactions that resulted in the cash inflows
- Discuss how the dispositions reflect management's strategies
- Explain how the dispositions would impact the company in the long run

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6. Unusual Non-Cash Transactions

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Sale or purchase of inventory or assets in exchange for non-monetary consideration

Disclosure:

- Disclose the business reasons for such transactions, and why non-monetary consideration was used
- Disclose the parties involved in the transaction. If they are related parties, the fact should be highlighted
- Explain the way the company determines the value of the non-monetary assets

7. Significant Future Cash Requirements

Cash Circumstance
=
Significant long term provisions in the statement of financial position
OR
Significant contractual obligations or commitments disclosed in the MD&A

Disclosure:

- Provide the related note disclosures required under IFRS for provisions
- Provide the disclosures required under contractual obligations and commitments in the MD&A, including qualitative analysis of impact of obligations on future cash requirements
- Disclose financing plans and sources of capital

Key Takeaways

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Key Takeaways

- Know and comply with securities requirements to enhance the company's value in the long run
- Implement a process to proactively manage risks
- Provide meaningful disclosure on risks and risk management strategies
- Use cash flow information to identify and analyze risks, and disclose the result of the analysis to investors

Questions?

Appendices

Appendix A – Securities Requirements

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Appendix A - Securities Requirements

Requirement	Reference
The Board of Director's role in risk oversight	▪ NI 51-102 *Continuous Disclosure Obligations* ▪ NP 51-201 *Disclosure Standards* ▪ NI 58-101 *Disclosure of Corporate Governance Practices*, Item 2 of Form 58-101F1 (non-venture issuers) ▪ NP 58-201 *Corporate Governance Guidelines*, Item 3.4 ▪ NI 52-110 *Audit Committees*
MD&A risk disclosure	▪ Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations* • Part 1 (a) General Provisions • Item 1.2 Overall Performance • Item 1.4 Results of Operations • Item 1.6 Liquidity • Item 1.8 Off-Balance Sheet Arrangements • Item 1.12 Critical Accounting Estimates • Item 1.14 Financial Instruments and Other Instruments
AIF risk disclosure	▪ Form 51-102F2 of NI 51-102 *Continuous Disclosure Obligations* • Part 1 (a) General Provisions • Items 5.2 Risk Factors • Item 7.3 Ratings

Reference: http://www.osc.gov.on.ca/en/6439.htm

Appendix A - Securities Requirements (cont'd)

Disclosure Requirement	Reference
Prospectus offering documents	▪ Form 41-101F1 of NI 41-101 General Prospectus Requirements • Item 1.10 Risk factors • Item 3.1(1)(d) Summary of Prospectus - General • Item 10.3(1)(14) Description of Securities Distributed – Asset-backed securities • Item 10.4(g) Description of Securities Distributed – Derivatives • Item 10.9 Ratings • Item 21.1 Risk factors ▪ Form 44-101F1 of NI 44-101 *Short Form Prospectus Distributions* • Item 7.3(9) Description of Securities Distributed – Asset-backed securities • Item 7.4(g) Description of Securities Distributed – Derivatives • Item 7.9(e) Ratings • Item 17.1 Risk factors

Reference: http://www.osc.gov.on.ca/en/6434.htm

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Appendix A - Securities Requirements (cont'd)

Requirement	Reference
IFRS requirements: Statements of cash flows Going concern disclosures	 ▪ IAS 7 *Statement of Cash Flows* ▪ IAS 1 *Presentation of Financial Statements* • Paragraphs 25 and 26

MD&A disclosure	▪ Form 51-102F1 of NI 51-102 *Continuous Disclosure Obligations*
	  • Part 1 (a) General Provisions
	  • Item 1.2 Overall Performance
	  • Item 1.6 Liquidity
	  • Item 1.7 Capital Resources

Non-GAAP financial measures disclosure	▪ CSA Staff Notice 52-306 (Revised) *Non-GAAP Financial Measures and Additional GAAP Measures*

Reference: http://www.osc.gov.on.ca/en/6439.htm

Appendix B – OSC Website

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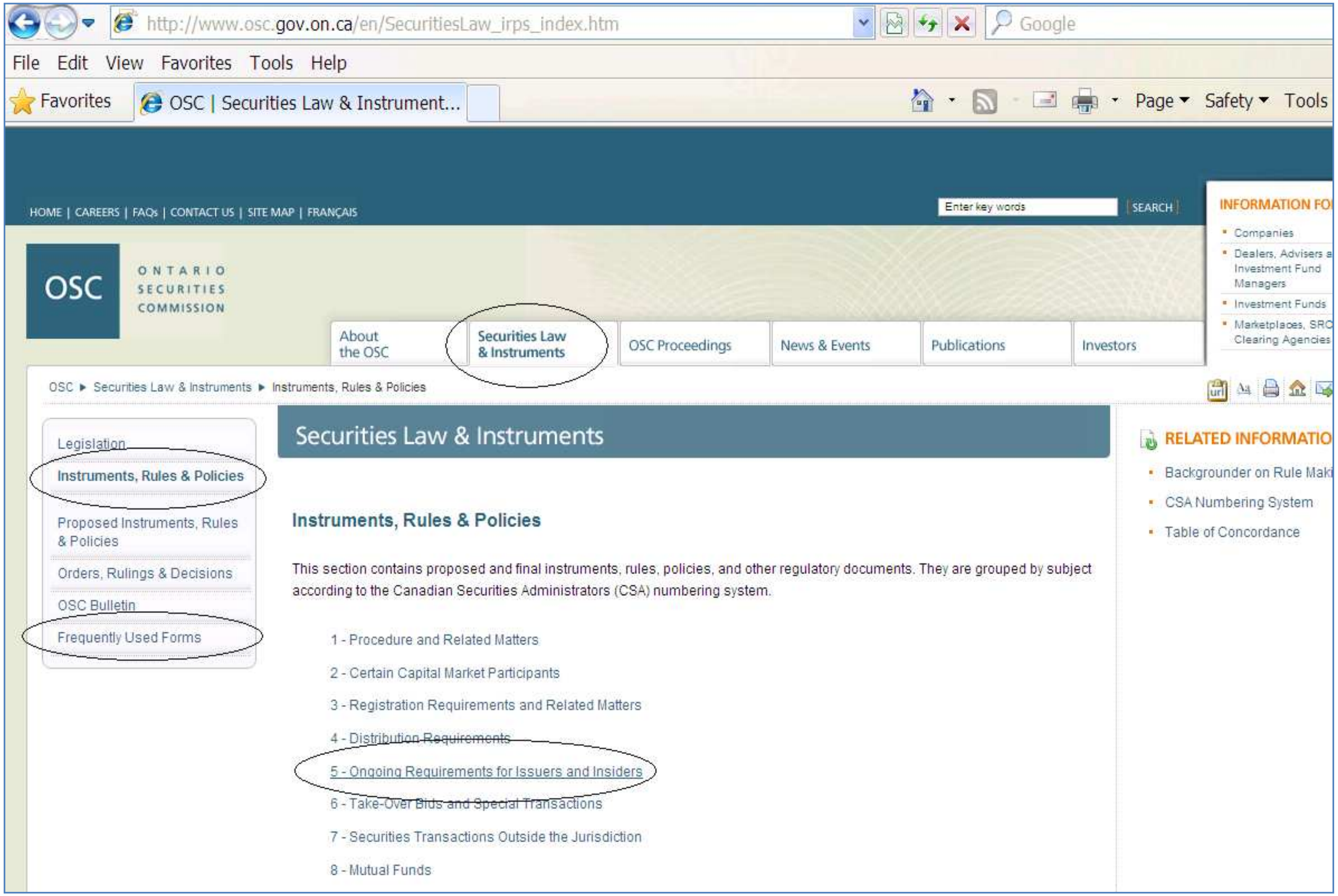
Useful Links for Companies



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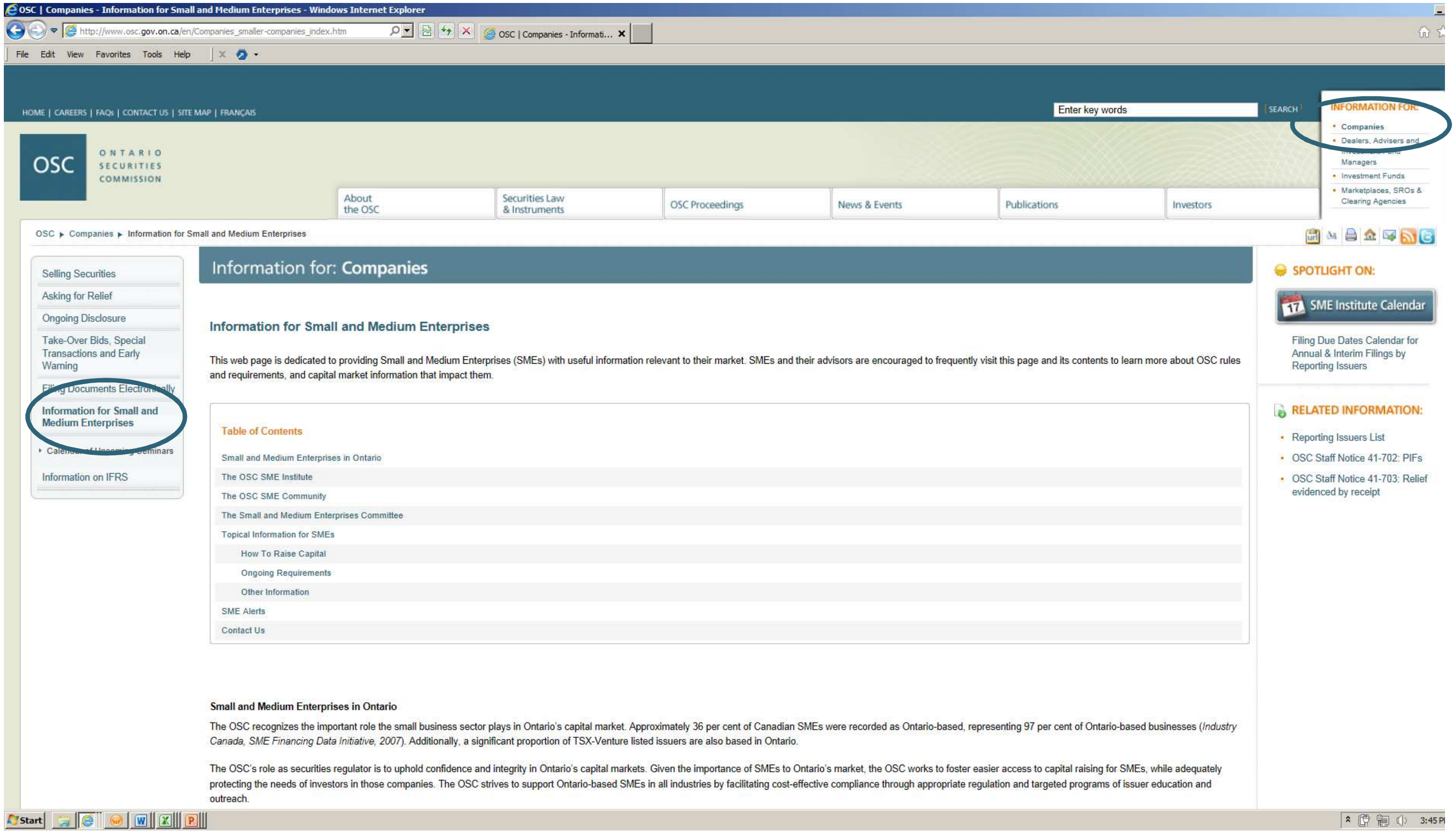

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Appendix C – Contact Information

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Appendix C - Financial Examiners

- Maintain CD records, monitor SEDAR filings, and provide assistance for Ontario reporting issuers
- Organized by issuer alpha

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Appendix C - OSC Contact Centre

- Staff in OSC Contact Centre are available to answer questions
  - Local (Toronto) 416-593-8314
  - Toll-free (North America) 1-877-785-1555
  - Email inquires@osc.gov.on.ca

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