

SME

Ontario Securities Commission

OSC SME INSTITUTE

Industry Series: Mining

Corporate Finance Branch

January 17, 2013

OSC

Disclaimer

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Presentation Outline

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Welcome and Introduction to the OSC SME Institute

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

Securities Regulation 101

Securities Regulation 101 – 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

Securities Regulation 101 – Periodic Disclosure Requirements

| Document | Venture | Non-venture |
|--|---|--------------------------------|
| Audited annual financial statements accompanied with: <ul style="list-style-type: none"> • Annual MD&A • Annual CEO and CFO Certificates | 120 days after year-end | 90 days after year-end |
| Interim financial report accompanied with <ul style="list-style-type: none"> • 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) | | |

Securities Regulation 101 – Timely Disclosure Requirements

| Document | Timing |
|---|---|
| Material change news release and report | <ul style="list-style-type: none"> ■ 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 |
|---|--|
| <ul style="list-style-type: none"> Corporate structure | <ul style="list-style-type: none"> Major reorganizations, amalgamations or mergers |
| <ul style="list-style-type: none"> Capital structure | <ul style="list-style-type: none"> Planned issuance or repurchases of additional securities Planned offerings of warrants to buy shares |
| <ul style="list-style-type: none"> Financial results | <ul style="list-style-type: none"> Unexpected changes in financial results Reductions in cash flow, write-down, or changes in value or composition of assets |
| <ul style="list-style-type: none"> Business and operations | <ul style="list-style-type: none"> Changes to board of directors or management Significant new contracts, products or services |
| <ul style="list-style-type: none"> Acquisitions and dispositions | <ul style="list-style-type: none"> Purchase or sale of assets, or joint venture interests |
| <ul style="list-style-type: none"> Credit arrangements | <ul style="list-style-type: none"> 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
 - 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

Securities Regulation 101 - Event-Based Disclosure

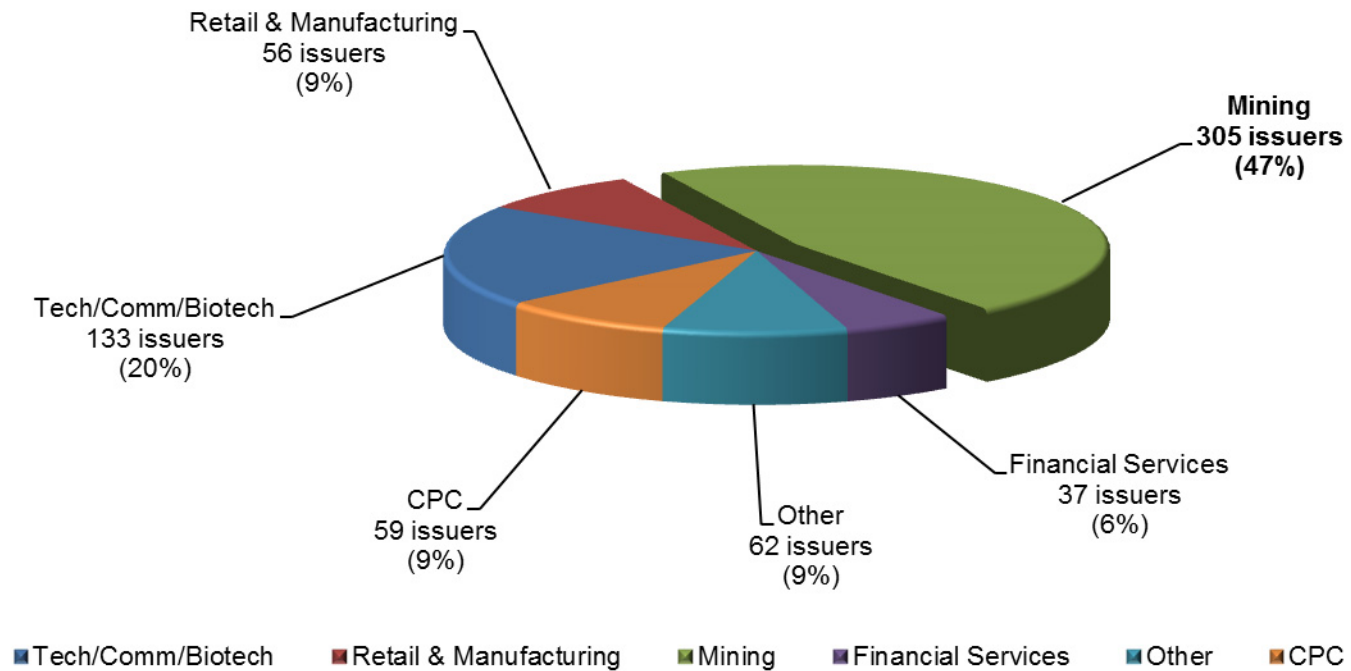
| Document | Timing |
|---|---|
| Business Acquisition Report | Within 75 days following acquisition |
| News Release with Financial Information | File news release immediately |
| Documents Affecting the Rights of Securityholders | Earlier of filing of material change report or AIF or 120 days after 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 OSC SME Institute seminar on "Continuous Disclosure Obligations" held on October 17, 2012

Landscape of the Industry

Ontario's Public SMEs by Industry

Number of Ontario SME Issuers - As at March 31, 2012



Industry Trends

- Growing trend of resource nationalism where certain foreign governments have introduced sudden policy changes, such as, expropriation of mining claims and/or increased ownership of mineral projects.
- Fluctuating commodity prices combined with spiralling capital costs, may dampen long-term project economics and undermine companies' future viability, prompting some companies to temporarily shelve projects and cut capex budgets.
- Increasing use of alternative sources of financing, such as royalty arrangements, given the continued volatility in equity markets.
- Increasing M&A activity through consolidation of junior miners struggling to survive and acquisition by majors to increase their reserve and resource base.

Industry Specific Observations

Observations at a Glance

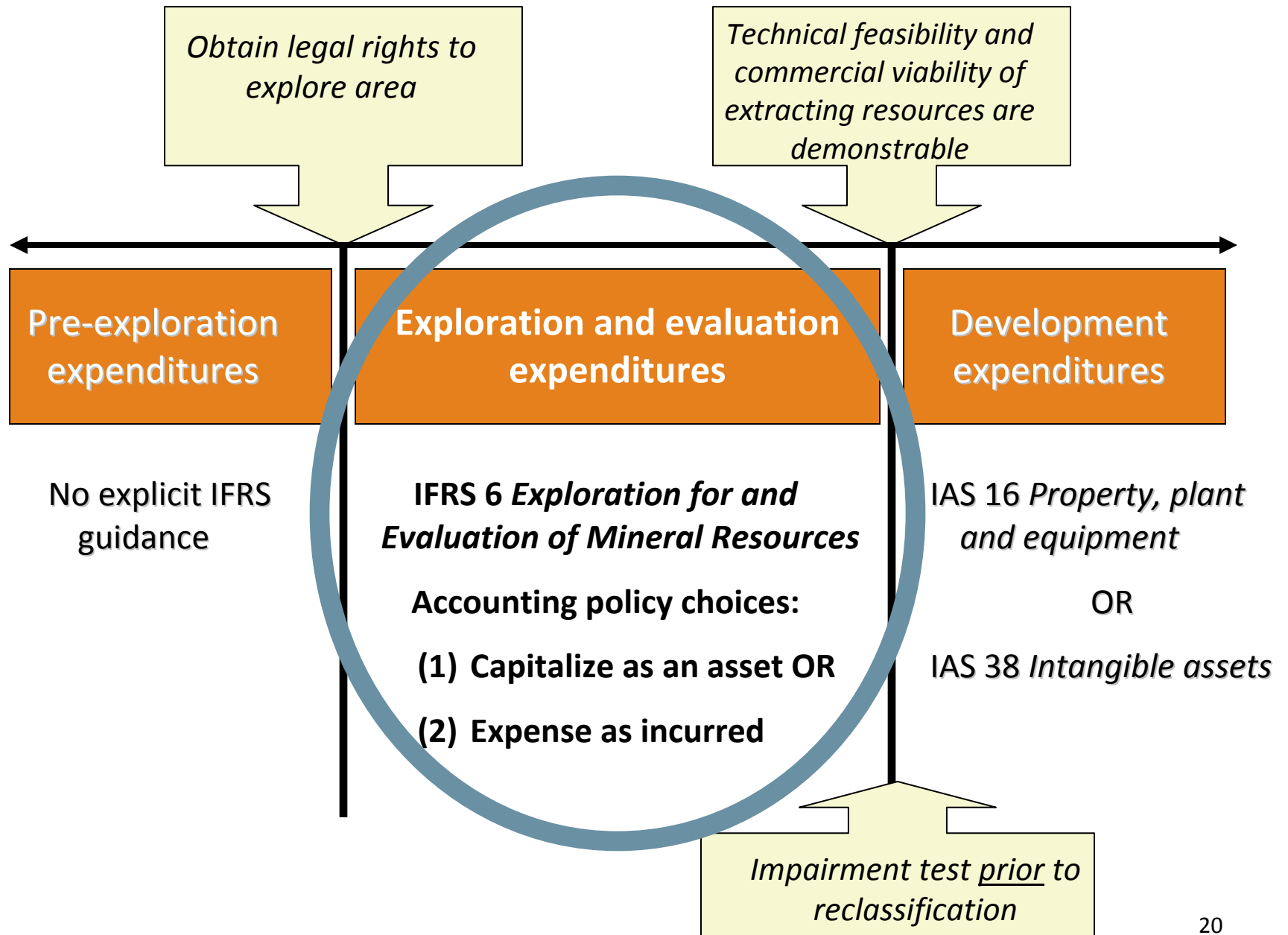
| Financial Statements | MD&A | Other Key Obligations |
|---|--|--|
| <ul style="list-style-type: none"> • Exploration and Evaluation Expenditures • Impairment of Exploration and Evaluation Assets • Going Concern • Judgements and Estimates | <ul style="list-style-type: none"> • Liquidity and Capital Resources • Transactions between Related Parties • Risks and Uncertainties • Discussion of Operations • Venture Issuer Disclosures | <ul style="list-style-type: none"> • Technical Report • Promotional Disclosure • Title to Property • Non-GAAP Financial Measures |

Observations at a Glance

| Financial Statements | MD&A | Other Key Obligations |
|---|--|--|
| <ul style="list-style-type: none"> • Exploration and Evaluation Expenditures • Impairment of Exploration and Evaluation Assets • Going Concern • Judgements and Estimates | <ul style="list-style-type: none"> • Liquidity and Capital Resources • Transactions between Related Parties • Risks and Uncertainties • Discussion of Operations • Venture Issuer Disclosures | <ul style="list-style-type: none"> • Technical Report • Promotional Disclosure • Title to Property • Non-GAAP Financial Measures |

Exploration and Evaluation Expenditures

Areas of Focus



Exploration and Evaluation Expenditures

Observations

The accounting policy for exploration and evaluation expenditures (**E&E**) is not always applied consistently for comparable activities and between reporting periods and is often not clearly disclosed.

Why Important

Investors and other users of financial statements need to better understand the significance of the amounts in the company's financial statements arising from such expenditures.

In making the determination of which expenditures are recognized as E&E assets, consider the degree to which the expenditure can be associated with finding specific mineral resources

Exploration and Evaluation Expenditures

Hot Buttons

| Areas | Considerations |
|-------------|--|
| Measurement | <ul style="list-style-type: none"> ■ What is the accounting policy for E&E expenditures? ■ Does the accounting policy specify which expenditures are recognized as E&E assets? Examples of expenditures include: <ul style="list-style-type: none"> ■ Acquisition of rights to explore ■ Topographical, geological, and other studies ■ Exploratory drilling ■ Sampling ■ Activities to evaluate technical feasibility and commercial viability <p><i>Note: expenditures related to “pre-exploration” and “development” of resources should not be recognized as “E&E” assets.</i></p> ■ Is this accounting policy applied consistently for comparable projects and period after period? ■ Are E&E assets initially recognized at cost? And, subsequently measured using cost or revaluation models? |

Exploration and Evaluation Expenditures

Hot Buttons

| Areas | Considerations |
|--------------|--|
| Presentation | <ul style="list-style-type: none"> ■ Are the E&E assets classified according to their nature? <ul style="list-style-type: none"> ■ Tangible (ie. equipment used in exploration) ■ Intangible (ie. licenses, rights, permits) ■ Have the cash flows been classified in the appropriate categories per IAS 7? If E&E expenditures are: <ul style="list-style-type: none"> • Capitalized, classify as investing activities • Expensed as incurred, classify as operating activities |
| Disclosure | <ul style="list-style-type: none"> ■ Do the financial statements identify and explain the amounts arising from E&E expenditures? <ul style="list-style-type: none"> ■ Is the E&E accounting policy clearly disclosed? ■ Is there disclosure of the amount of assets, liabilities, income and expense and operating and investing cash flows in cases where amounts presented are aggregated <p><i>Note: Periodically review the accounting policy note disclosure to ensure that the documented policy is current and is consistently applied to all properties or areas of interest</i></p> |

Exploration and Evaluation Expenditures

Example – Measurement

Facts:

- Junior mining company obtained legal title to explore a specific area
- It has incurred E&E expenditures including those related to acquiring the licenses, drilling and sampling
- Due to the nature of its operations, it has also incurred significant general and administrative (G&A) expenses and overhead costs

Other information:

- For intangibles assets, the company's accounting policy is to capitalize the G&A and overhead costs that are directly attributable to the assets

Is the company required to capitalize all these costs as an E&E asset under IFRS?

Exploration and Evaluation Expenditures

Example – Measurement & Presentation

Facts:

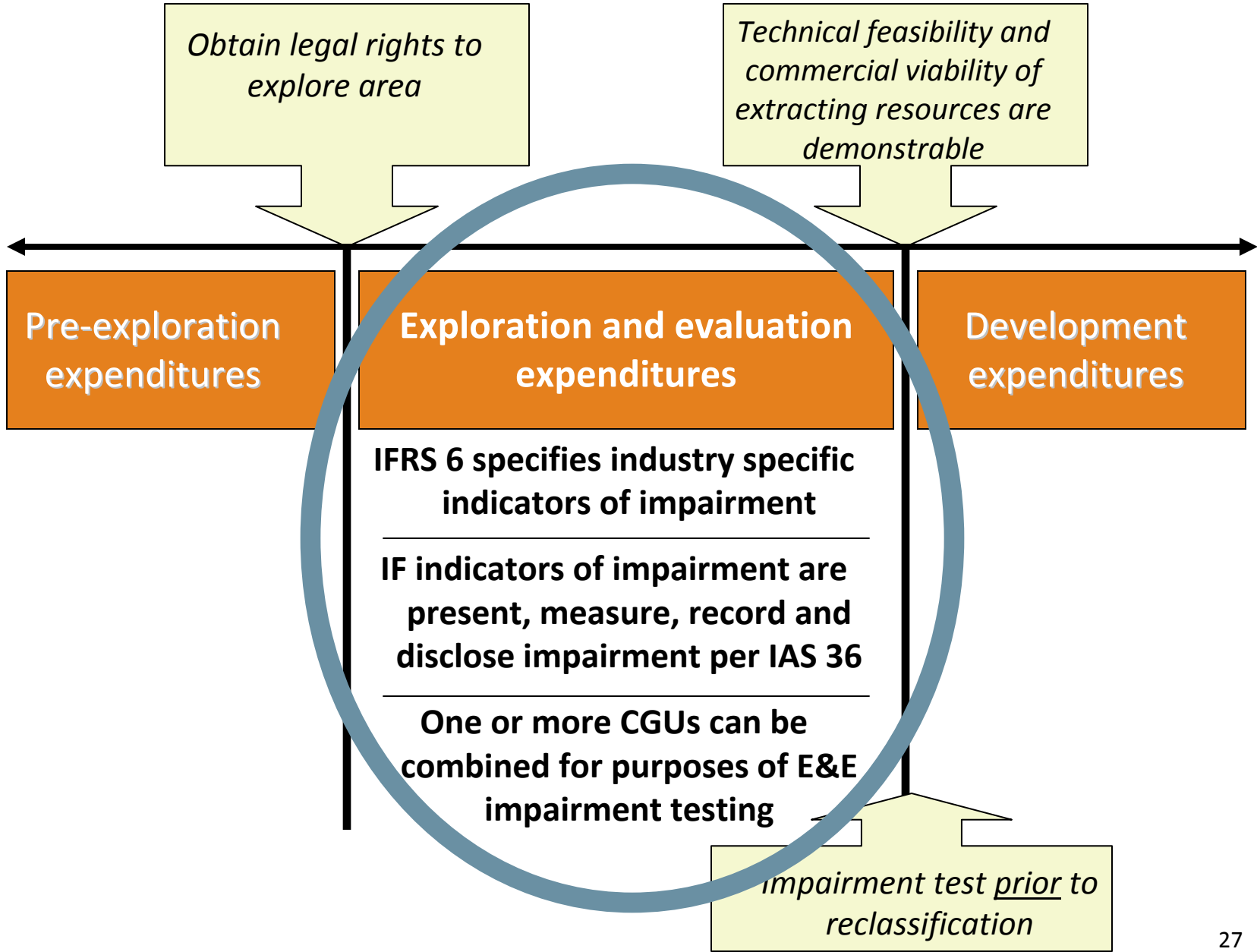
- Junior mining company has two exploration projects in country Poablo
- Based on the results of geological studies and exploratory drilling, company discloses the following:

| Project | Probability of demonstrating technical feasibility and commercial viability | E&E accounting policy choice | Statement of cash flow classification |
|---------|---|------------------------------|---------------------------------------|
| #1 | Low | Expense as incurred | Operating activities |
| #2 | High | Capitalize | Operating activities |

Has the company complied with IFRS?

Impairment of Exploration and Evaluation Assets

Areas of Focus



Impairment of Exploration and Evaluation Assets

Observations

Companies do not always assess E&E assets for impairment and/or recognize any resulting impairment loss even when facts and circumstances suggest that the E&E asset's carrying amount exceeds its recoverable amount.

Why Important

The identification of indicators of impairment and the assessment of how those facts and circumstances may affect the value of the E&E assets is important to ensure that E&E assets are not overstated.

E&E assets must be assessed for impairment when facts and circumstances suggest that the asset may be impaired

Impairment of Exploration and Evaluation Assets

Hot Buttons

| Areas | Considerations |
|-----------------------------|--|
| Indicators of impairment | <ul style="list-style-type: none"> Have facts or circumstances been identified that suggest that the carrying amount of an E&E asset may exceed its recoverable amount? <p><i>Note: If indicator(s) of impairment have been identified, measure, record and disclose the impairment loss per IAS 36</i></p> |
| Level of impairment testing | <ul style="list-style-type: none"> Is there an accounting policy for allocating E&E assets to cash-generating units (CGUs) OR groups of CGUs? <ul style="list-style-type: none"> Level may comprise one or more CGUs E&E assets may be grouped with producing assets |
| Disclosure | <ul style="list-style-type: none"> When facts and circumstances suggest that the carrying amount of an E&E asset may be impaired AND an impairment loss has been recognized in accordance with IAS 36, company must provide the disclosure noted in IAS 36 including: <ul style="list-style-type: none"> Amount of impairment losses recognized Key assumptions underlying impairment calculations |

Examples of Indicators of Impairment

- Right to explore area has expired or will expire in near future, and is not expected to be renewed
- No further exploration for evaluation in the area planned or budgeted
- No commercial viable resources have been discovered and decision has been made to discontinue activities
- Data indicates that carrying amount will not be recoverable, even though a development is likely to proceed

Going Concern

Going Concern

Observations

Financial fundamentals, such as a working capital deficiency, an excessive cash burn rate and milestone challenges, suggest liquidity concerns that may cast doubt on the company's ability to continue operations, however a going concern note is absent.

Why Important

A going concern note provides warnings about the significant risks being faced by the company and identifies concerns regarding its future viability, both of which will ultimately impact investment decisions.

Management needs to assess the company's ability to continue as a going concern for at least 12 months from the end of the reporting period

Going Concern Hot Buttons

| Areas | Considerations |
|-------------------------|--|
| Management's assessment | <ul style="list-style-type: none"> ■ Have the following factors been considered? <ul style="list-style-type: none"> ■ Current and expected profitability ■ Debt repayment schedules ■ Availability of potential sources of financing ■ Adequacy of capital resources to meet upcoming milestones and commitments ■ Working capital position ■ Cash burn rate ■ Economic conditions |
| Disclosure | <ul style="list-style-type: none"> ■ Does management's assessment of the company's financial fundamentals indicate that a going concern note is warranted? <ul style="list-style-type: none"> ■ If so, has the company disclosed the material uncertainties that cast significant doubt upon the ability to continue as a going concern? <p><i>Note: In order for this disclosure to be useful, must explicitly state that these uncertainties cast significant doubt upon the company's ability to continue as a going concern</i></p> |

Going Concern

Example of Deficient Disclosure

Unclear if this is meant to highlight a material uncertainty

The company is considered to be in the development stage and is currently exploring mineral properties in Central America. While these financial statements have been prepared on a going concern basis, the company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and complete its current exploration projects.

While the company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future.

Missing clear disclosures of material uncertainties that cast significant doubt

If the going concern assumption was not appropriate, then adjustments might be necessary to the financial statements.

Going Concern

Example of Comprehensive Disclosure

The company is considered to be in the development stage and is currently exploring mineral properties in Central America. The financial statements were prepared on a going concern basis. The going concern basis assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Specific disclosure of the material uncertainties that cast significant doubt

During the year ended December 31, 2011, the company had a net loss of \$2 million, negative cash flow from operations of \$800,000, and positive working capital of \$3.2 million. The positive working capital balance was mainly due to having a cash balance of \$5.5 million. Given the company maintained positive working capital, it believes that it will have sufficient capital to operate over the next 12 months, however additional funding will be necessary to complete its bulk sampling program by the 14 month requirement date.

Going Concern

Example of Comprehensive Disclosure (cont'd)

Historically the company has had operating losses, negative cash flows from operations, and working capital deficiencies. Whether, and when, the company can attain profitability and positive cash flows from operations is uncertain. The company is also uncertain whether it can obtain financing to further explore project Minera Alpha. These uncertainties cast significant doubt upon the company's ability to continue as a going concern.

The company will need to raise capital in order to fund its operations. This need may be adversely impacted by factors including uncertain market conditions and commodity prices. To address its financing requirements, the company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

Explicit link between disclosed uncertainties and ability to continue as going concern

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Judgements and Estimates

Judgements and Estimates

Observations

Often the most significant and subjective judgements and key sources of estimation uncertainty that management has made are sometimes not disclosed or meaningfully discussed, including those related to the valuation and impairment testing of mineral properties.

Why Important

This disclosure helps investors to identify where in the financial statements management has exercised its judgement, or has made assumptions when determining the amounts to be recorded.

*Companies should **separately** disclose critical judgements from major sources of estimation uncertainty*

Judgements and Estimates Hot Buttons

| Areas | Considerations |
|---------------------------|---|
| Judgements | <ul style="list-style-type: none"> ■ Has the company disclosed the judgements that management has made in applying accounting policies? Examples include: <ul style="list-style-type: none"> ■ Going concern risk assessments ■ Mineral properties - commercial and economic viability ■ Fair value allocations in business combinations ■ Determination of functional currencies |
| Assumptions and estimates | <ul style="list-style-type: none"> ■ Have all assumptions about the future and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the balance sheet been disclosed? Examples include: <ul style="list-style-type: none"> ■ Mineral properties – assumptions used in impairment testing ■ Future rehabilitation costs ■ Asset useful lives ■ Contingent liabilities ■ Fair value of derivative instruments |

Judgements and Estimates

Example of Deficient Disclosure

Significant accounting judgements, estimates and assumptions:

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include:

Unclear whether this is a judgement or an estimate

Impairment

Assets, including property and equipment and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

Laundry list

Other

Other areas where the company is required to make judgements, estimates and assumptions are: the determination of deferred income tax amounts and assessment of deferred tax assets; the calculation of share-based payments; the depreciation and amortization periods; the allowance for doubtful accounts; the measurement of decommissioning liabilities; and the assumptions and estimates related to going concern considerations.

Cluttered

Judgements

Example of Comprehensive Disclosure

Judgements

Key sources of judgements:

Assets, including property and equipment, as well as, exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts.

Disclosure of types of events that management assessed and applied judgement

There are a few circumstances that would warrant a test for impairment of E&E assets which include:

- The expiry of the right to explore
- Substantive expenditure on further exploration is not planned
- Exploration and evaluation of the mineral resource has not led to the discovery of commercially viable quantities
- Data shows that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale.

Entity-specific

None of these events or circumstances have arisen during the company's year ended 2011.

Estimates

Example of Comprehensive Disclosure

Estimates

Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Entity-specific

Decommissioning liabilities (an excerpt):

As part of the long-term lease agreement on the production facility with ABC company, the company has recognized a provision for decommissioning obligations associated with the production facility. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected costs to dismantle and restore the facility to its original condition and the expected timing of those costs. The carrying amount of the provision at December 31, 2011 is \$1,850,000 (2010: \$1,600,000).

Disclosure of the nature and carrying amount

If the estimated pre-tax discount rate used in the calculation had been 10% lower than management’s estimate, the carrying amount of the provision would have been \$75,000 higher.

Observations at a Glance

| Financial Statements | MD&A | Other Key Obligations |
|---|--|--|
| <ul style="list-style-type: none"> • Exploration and Evaluation Expenditures • Impairment of Exploration and Evaluation Assets • Going Concern • Judgements and Estimates | <ul style="list-style-type: none"> • Liquidity and Capital Resources • Transactions between Related Parties • Risks and Uncertainties • Discussion of Operations • Venture Issuer Disclosures | <ul style="list-style-type: none"> • Technical Report • Promotional Disclosure • Title to Property • Non-GAAP Financial Measures |

Objectives

- MD&A is a narrative explanation “through the eyes of management” which:
 - Provides a balanced discussion of 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

Approach to Preparation

- Effective communication involves more than form filling
- Make sure form requirements are addressed
- Have broad range of expertise involved in preparation of MD&A
 - Geological, operations, financial and accounting staff
- Ensure effective communication amongst staff
 - Avoid silos based on expertise
- Board/audit committee should provide effective oversight
- Keep abreast of regulatory developments and views

Annual MD&A



Observations at a Glance

| Financial Statements | MD&A | Other Key Obligations |
|---|--|--|
| <ul style="list-style-type: none"> • Exploration and Evaluation Expenditures • Impairment of Exploration and Evaluation Assets • Going Concern • Judgements and Estimates | <ul style="list-style-type: none"> • Liquidity and Capital Resources • Transactions between Related Parties • Risks and Uncertainties • Discussion of Operations • Venture Issuer Disclosures | <ul style="list-style-type: none"> • Technical Report • Promotional Disclosure • Title to Property • Non-GAAP Financial Measures |

Liquidity and Capital Resources

Liquidity and Capital Resources

Observations

A meaningful analysis of the company's ability to address its working capital requirements, maintain properties and agreements in good standing, meet its spending commitments, and finance new opportunities is not always provided.

Why Important

Investors need to have a comprehensive understanding of the company's short term and long term financial resources and requirements, and how those requirements will be addressed.

Companies must discuss going concern uncertainty disclosed in financial statements

Liquidity and Capital Resources

Hot Buttons

| Areas | Considerations |
|-------------------------------------|--|
| Ability to generate sufficient cash | <ul style="list-style-type: none"> ■ Is there analysis of the company's ability to generate sufficient cash, in the short term and the long term to: <ul style="list-style-type: none"> ■ Address working capital requirements? ■ Maintain properties and agreements in good standing? ■ Meet spending commitments? ■ Finance new opportunities? |
| Working capital requirements | <ul style="list-style-type: none"> ■ Are the company's working capital requirements disclosed? ■ If a working capital deficiency exists, or is expected, is there a discussion and analysis about the company's: <ul style="list-style-type: none"> ■ Ability to meet obligations as they become due? ■ Plans, if any, to remedy the deficiency? |

Liquidity and Capital Resources

Hot Buttons

| Areas | Considerations |
|-----------------------|--|
| Spending requirements | <ul style="list-style-type: none"> ■ Is there disclosure and analysis about: <ul style="list-style-type: none"> ■ Exploration and development expenditures required to maintain properties or agreements in good standing? ■ Amount, nature and purpose of commitments? ■ Expenditures that are not yet committed but are required to maintain company's capacity or finance new opportunities? |
| Sources of financing | <ul style="list-style-type: none"> ■ Have the expected sources of financing that are being pursued been identified? ■ Is there a discussion of known trends or expected fluctuations in capital resources, including changes in mix and relative cost of resources? ■ Is there a discussion on how difficulties in obtaining financing could affect company including status of projects, financing operations, and ability to continue as going concern? |

Liquidity and Capital Resources

Example of Deficient Disclosure

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.

Liquidity and Capital Resources

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

Ability to meet working capital obligations

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. The company is

Expected sources of funds

Liquidity and Capital Resources

Example of Comprehensive Disclosure (con't)

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 \$75,000 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.

Transactions between Related Parties

Transactions between Related Parties

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.

Transactions between Related Parties

Hot Buttons

| Areas | Considerations |
|--|---|
| Disclosure of all RPTs | <ul style="list-style-type: none"> ■ Are all transactions between related parties disclosed and discussed? |
| Identity and relationship of related party | <ul style="list-style-type: none"> ■ Is there disclosure of: <ul style="list-style-type: none"> ■ 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? |

Transactions between Related Parties

Hot Buttons

| Areas | Considerations |
|---|--|
| <p>Business purpose and economic substance of transaction</p> | <ul style="list-style-type: none"> ■ Are the reasons for entering into the RPTs disclosed and explained? <ul style="list-style-type: none"> ■ 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? <p><i>Note: Avoid generic descriptions such as "consulting" or "for services performed"</i></p> |

Transactions between Related Parties

Hot Buttons

| Areas | Considerations |
|---|---|
| Recorded amount of transaction and measurement basis used | <ul style="list-style-type: none"> Is the recorded amount of the transaction and the measurement basis used disclosed? |
| Ongoing or contractual or other commitments | <ul style="list-style-type: none"> Is there disclosure and discussion of ongoing contractual or other commitments arising out of RPTs? |
| Processes and procedures for identifying, evaluating and approving RPTs | <ul style="list-style-type: none"> Is there a description of management and the board's processes and procedures for identifying, evaluating and approving RPTs? |

Examples of Common Related Party Transactions

- Office space rented from a company with common officers and directors to the company
- Administrative services provided by a company controlled by an officer or director
- Advisory fees paid for geological or other services to a company controlled by an officer or director
- Loans and advances provided by a director to the company or vice-versa
- Equity investments made by the company in other entities with common officers and directors to the company

Transactions between Related Parties

Example of Deficient Disclosure

During the year, the company paid \$300,000 to a director for rent, consulting services and interest on a loan.

Transactions between Related Parties

Example of Comprehensive Disclosure

Relationship/
identity

Business purpose
and amount

Measurement
basis used

Business purpose
and amount

During the year, the company paid \$300,000 to **Steven Jones**, a director who is a geologist. The company paid \$20,000 to Mr. Jones for the use of office space he provided, and \$80,000 for his geological services in connection with Phase 1 of the exploration program on the ABC option. The office space and geological services, which were both provided in the normal course of operations at rates comparable to what would have been paid to unrelated parties, were measured at the exchange amount.

The company also paid Mr. Jones **\$200,000** in interest on a loan he provided in the principal amount of **\$2,000,000**. The unsecured loan bears interest at 10% per annum, and matures in five years with an option by the company to extinguish the debt at any time without penalty. The company entered into this related party transaction because alternate sources of financing were unavailable due to the company's limited operating history, lack of collateral and limited access to public financing due to current market conditions.

Risks and Uncertainties

Risks and Uncertainties

Observations

Disclosure of risks and uncertainties is often boilerplate in nature without a comprehensive discussion of their nature, and their previous and potential impact on the company.

Why Important

Investors need to understand important trends and risks that have affected the company's financial statements, and trends and risks that are reasonably likely to affect them in the future. They also need to understand commitments, events, risks or uncertainties that the company reasonably believes will materially affect its future performance.

Companies should disclose and discuss material entity-specific risks and uncertainties throughout their MD&A

Risks and Uncertainties Securities Requirements

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.

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.

Discuss commitments, events, risks or uncertainties that the company reasonably believes will materially affect its future performance.

3. AIF

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.

4. Prospectus offering

Risks and Uncertainties

Hot Buttons

| Areas | Considerations |
|-----------------|--|
| MD&A Disclosure | <ul style="list-style-type: none"> ■ Is there a discussion of important trends and risks that have affected the company's financial statements? ■ Is there a discussion of trends and risks that are reasonably likely to affect the company's financial statements in the future? ■ Is there a discussion of commitments, events, risks or uncertainties that the company reasonably believes will materially affect its future performance? <p><i>Note: Do not provide a 'laundry list' of every conceivable risk</i></p> |

Risks and Uncertainties

Hot Buttons

| Areas | Considerations |
|-------------------------------------|--|
| Suggested Risk Management Practices | <ul style="list-style-type: none"><li data-bbox="751 467 1848 613">■ Does the board have a full understanding of the risks facing the company and how those relate to the overall risk appetite of the company?<li data-bbox="751 669 1869 815">■ Does the board take appropriate steps to stay informed of key developments that could increase the company's risk exposure?<li data-bbox="751 870 1822 1016">■ Is there a strategy in place to ensure that significant risks are identified and managed by the board and management? |

Common Risks Faced by Mining Companies

| Exploration Stage | Development or Production Stage |
|---------------------------------|---------------------------------|
| Country risk | Country risk |
| Title, access and social issues | Geological and deposit risks |
| Liquidity and capital resources | Mining and processing risks |

Risks and Uncertainties

Example of Deficient Disclosure

The company's operations are located in Mali. The company is subject to the political risks and economic considerations of operating in Mali.

Risks and Uncertainties

Example of Comprehensive Disclosure

Risk Factor

Potential impact

Company specific

Currently, the company's **principal property** is located in Mali. Consequently, the company is subject to certain risks **associated with foreign ownership, including currency, inflation, political and property title risk**. On March 21, 2012 a coup was initiated by members of Malian army, creating uncertainty within the country. Work on our principal property has been suspended until security is re-established within Mali for our personnel and assets. Travel and access to the property may be curtailed due to political instability or risks to personnel in remote areas which may result in project delays.

Risks and Uncertainties

Example of Comprehensive Disclosure (cont'd)

Potential impact

Operations may be affected in varying degrees by government regulations with respect to community rights, restrictions on development, price controls, export controls, restriction of earnings, taxation laws, expropriation of property, environmental legislation, water use and labour standards.

Risk oversight and risk management

Risk Management Strategies

The Board of Directors (the Board) and senior management monitor the political and operating environment in Mali on an ongoing basis. The company meets with government officials on a quarterly basis to foster a greater understanding of the value that the Mali project brings to the Mali government and local community. Furthermore, the company maintains the majority of its funds in Canada and only forwards sufficient funds to meet current obligations, all which must be approved by the Board.

Discussion of Operations

Discussion of Operations

Observations

Inadequate disclosure is often provided about the company's plans or milestones for its significant exploration and development projects.

Why Important

Investors require a meaningful discussion about the company's plans or milestones for its significant exploration and development projects so that they can better understand how the company plans to move its projects forward.

Companies must disclose plans, including anticipated costs, to take the exploration projects to the next stage of the project plan

Discussion of Operations - Hot Buttons

| Areas | Considerations |
|--|--|
| Exploration Projects | <ul style="list-style-type: none"> ■ Has the following disclosure been made for each material project? <ul style="list-style-type: none"> ■ A description of each project ■ Plans for the project ■ Status of the project relative to that plan ■ Expenditures made to date and how these relate to anticipated timing and costs to take the project to the next stage of the project plan |
| Availability of capital resources | <ul style="list-style-type: none"> ■ Are sufficient resources available to meet projected capital commitments? If not, is there disclosure about the expected source(s) of funds to meet those commitments? <p><i>Note: Refer to discussion on “liquidity and capital resources”</i></p> |
| Variance in use of prospectus proceeds | <ul style="list-style-type: none"> ■ If capital has been raised from a prospectus offering, <ul style="list-style-type: none"> ■ Have any variances between the planned use of proceeds as disclosed in the prospectus, and their actual use, been explained? ■ Is there disclosure as to how these variances may impact the company’s ability to take the project to the next stage of the project plan? |

Discussion of Operations

Example of Deficient Disclosure

In fiscal 2011, the company completed the first phase of its drilling program on the XYZ Lake property and the results suggested the existence of significant gold mineralization on the property. Additional drilling is necessary to fully test the potential of this property.

Discussion of Operations

Example of Comprehensive Disclosure

Status

Future plans

Expenditures made

Anticipated time and costs to take project to next stage

In fiscal 2011, the company completed the first phase of its drilling program on the XYZ Lake property and the results suggested the existence of significant gold mineralization on the property. In the second half of 2012, the company plans to complete 20 additional drill holes as part of the second phase of the drilling program and conduct further geological mapping. The company has spent \$1,000,000 to date on the drilling program, including \$875,000 in fiscal 2011, and will require \$2,000,000 to complete the additional work planned for 2012. Of this amount, \$1,750,000 will be required for the drilling program and \$250,000 will be allocated to geological mapping. The company intends to obtain the necessary funds from its recently negotiated undrawn revolving credit facility that has an authorized limit of \$3,000,000.

Venture Issuer Disclosures

Venture Issuer Disclosures

Observations

Venture issuers that have not had significant revenue from operations in either of their last two financial years do not always provide a breakdown of the material components of exploration and evaluation assets or expenditures, general and administration expenses, and other material costs in their MD&A or financial statements. Further, exploration and evaluation assets or expenditures are not always presented on a property-by-property basis.

Why Important

A breakdown of costs helps investors assess how well a company is being managed. A presentation of exploration and evaluation assets or expenditures on a property-by-property basis helps investors evaluate the impact of those expenditures in forwarding the exploration or development of those properties.

Companies must:

- *provide a breakdown of the material components of exploration and evaluation assets or expenditures, G&A expenses, and other material costs on a comparative basis*
- *present exploration and evaluation assets or expenditures on a property-by-property basis*

Venture Issuer Disclosures

Hot Buttons

| Areas | Considerations |
|---|--|
| Additional disclosure for venture issuers without significant revenue | <ul style="list-style-type: none"> ■ Is there a breakdown of material components of: <ul style="list-style-type: none"> ■ Exploration and evaluation assets or expenditures? ■ General and administration expenses? ■ Other material costs? ■ Has the breakdown been provided for each of the last two financial years? <p><i>Note: Considered material component of cost if exceeds greater of 20% of total amount of class or \$25,000</i></p> |
| Mining exploration and development companies | <ul style="list-style-type: none"> ■ Have exploration and evaluation assets or expenditures been presented on a property-by-property basis? |

Companies must disclose a breakdown of material components of general and administrative expenses

Venture Issuer Disclosures

Exploration and Evaluation Assets or Expenditures Disclosed on an Aggregate Basis

The following is a detailed list of expenditures incurred on the company's A and B mineral properties:

| | 31-Dec-2011 | 31-Dec-2010 |
|------------------------|--------------|--------------|
| Opening Balance | 3,100 | 2,150 |
| Drilling | 505 | 230 |
| Geology/geophysics | 335 | 240 |
| Equipment rental | 217 | 60 |
| Lab analysis | 170 | 120 |
| Closing Balance | 4,327 | 2,800 |

Venture Issuer Disclosures

Exploration and Evaluation Assets or Expenditures Disclosed on a Property-by-Property Basis

The following is a detailed list of expenditures incurred on the company's A and B mineral properties:

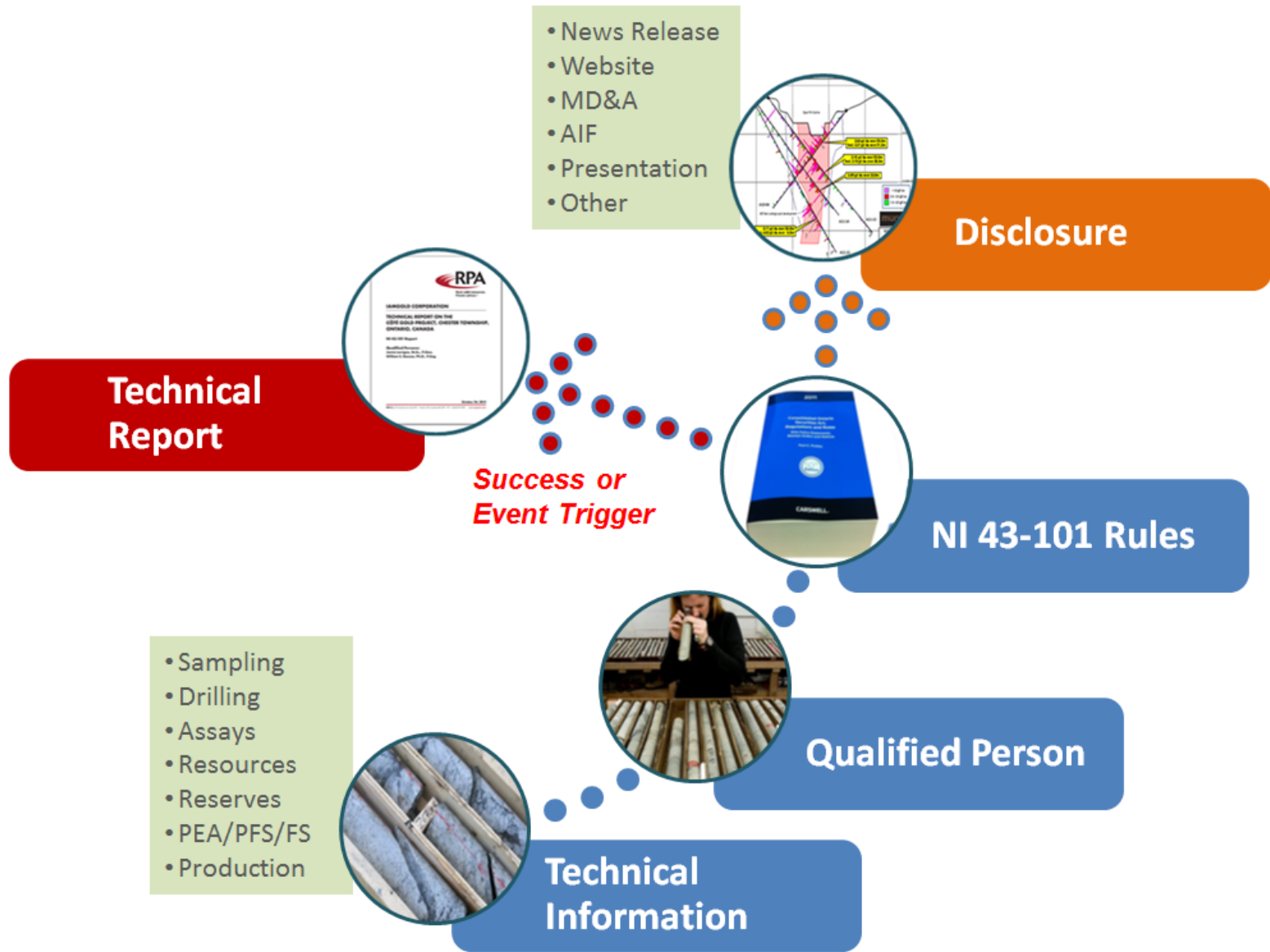
| | Property A | | Property B | |
|------------------------|--------------|--------------|--------------|-------------|
| | 31-Dec-2011 | 31-Dec-2010 | 31-Dec-2011 | 31-Dec-2010 |
| Opening Balance | 2,200 | 1,500 | 900 | 650 |
| Drilling | 400 | 200 | 105 | 30 |
| Geology/geophysics | 200 | 200 | 135 | 40 |
| Equipment Rental | 115 | 0 | 102 | 60 |
| Lab analysis | 100 | 100 | 70 | 20 |
| Closing Balance | 3,015 | 2,000 | 1,312 | 800 |

Observations at a Glance

| Financial Statements | MD&A | Other Key Obligations |
|---|--|--|
| <ul style="list-style-type: none"> • Exploration and Evaluation Expenditures • Impairment of Exploration and Evaluation Assets • Going Concern • Judgements and Estimates | <ul style="list-style-type: none"> • Liquidity and Capital Resources • Transactions between Related Parties • Risks and Uncertainties • Discussion of Operations • Venture Issuer Disclosures | <ul style="list-style-type: none"> • Technical Report • Promotional Disclosure • Title to Property • Non-GAAP Financial Measures |

Technical Report

Flow of Technical Information within NI 43-101



Five Ws (and one H) of Technical Reports

- Who** Prepared by qualified persons who are (often) independent
- Producing issuers exempt from independence requirement
- What** Current summary of material information on a material property
- Only one current technical report at any point in time
- When** Triggered by milestone events and filed within a specific timeframe
- Generally filed at same time as disclosure document or 45 days after
- Where** Filed publically on SEDAR
- Canada the only jurisdiction requiring public filing of reports
- Why** Supports the company's technical disclosure and assists investors
- Most important asset is mining company's resources and reserves
- How** Must follow prescribed form requirements
- Form 43-101F1

Technical Reports

Observations

Technical reports do not always disclose current information for the entire property and it is unclear whether the qualified person has verified the data.

Why Important

Investors place significant reliance on a technical report that is signed off by an accountable independent professional which provides a current, factual and unbiased overview of a mineral property.

Technical reports support a mining company's most important assets, their material mineral properties and the resources and reserves they contain

Technical Report Hot Buttons

| Areas | Considerations |
|--|--|
| Complete and current information | <ul style="list-style-type: none"> ■ Has information that is material to the entire property been disclosed, not just information for a project on the property? |
| Verification of data | <ul style="list-style-type: none"> ■ Has the qualified person(s): <ul style="list-style-type: none"> ■ Conducted data verification and a site visit? ■ Provided an opinion on the adequacy of the data used in the technical report? |
| Mineral resources and mineral reserves | <ul style="list-style-type: none"> ■ Has the basis and assumptions used for determining the mineral estimate been disclosed, and are they reasonable? <ul style="list-style-type: none"> ■ For example, does the technical report identify and justify the appropriateness of forecasted commodity prices and the mining method used? |

Promotional Disclosure

Promotional Disclosure

Observations

Overly promotional news releases or information posted on the company's website, such as articles and newsletters by third parties, may be potentially misleading.

Why Important

Investors may be misled by promotional information which suggests that a mineral project is more advanced, or has more potential, than is justified. Also, the company may be required to publically clarify/retract the promotional statements.

Information on a company's website is considered "written disclosure" and forms part of its continuous disclosure record

Promotional Disclosure Hot Buttons

| Areas | Considerations |
|----------------------------------|--|
| Accurate and factual information | <ul style="list-style-type: none"> Is the information on the website factual and accurate? <p><i>Note: Avoid exaggerated or promotional disclosure that is unsupported</i></p> |
| Balanced information | <ul style="list-style-type: none"> Has good news as well as bad news been disclosed with equal prominence, and on a timely basis? <p><i>Note: Discuss both positive and negative information from sampling, assays, and verification of results</i></p> |
| Complete information | <ul style="list-style-type: none"> Have all the material facts relevant to an investor's decision been disclosed? |
| Prohibited information | <ul style="list-style-type: none"> Has information been disclosed that is not supported or is prohibited? <p><i>Note: Don't report gross metal values or economic outcomes based on exploration targets or historical estimates</i></p> |

SME

Ontario Securities Commission

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Promotional Disclosure

Example of Overly Promotional Disclosure

Overly promotional

With the spectacular results from drill hole #4 (33 g/t gold over 5 metres) we are on the road to being the next gold mine in Nevada. It is likely that the property has the potential to contain an in-situ value of over \$2 billion.

Promotional Disclosure

Example of Balanced Disclosure

Accurate,
balanced and
complete
information
without
prohibited
disclosure

Drill hole #4 returned the only significant intersection (33 g/t gold over 5 metres – not true width) from the recently completed five hole diamond drill program on the New Hope property located near Elko Nevada. The table below provides a summary of the results for the drilling. The company intends to follow-up hole #4 with further exploration during the next six months. Our news release of January 28, 2012, filed on SEDAR, contains further information about the drilling, sampling, assaying, and QA/QC program.

Title to Property

Title to Property

Observations

Title to significant properties and/or concession(s) may be subject to claims made by a third party, the imposition of additional restrictions, and/or conditions or expropriation by national or local governments in certain jurisdictions.

Why Important

Investors and other stakeholders need to understand the risks associated with the ownership of a significant property and/or concession(s). Title concerns may affect the company's ability to continue its exploration and/or operations, and ultimately the company's future viability.

Title to Property Hot Buttons

| Areas | Considerations |
|--|---|
| Title verification | <ul style="list-style-type: none"> ■ Has the company satisfied itself that it has title to its property? <ul style="list-style-type: none"> ■ Has a legal opinion been obtained? ■ Is the company satisfied that the party who conducted the verification is independent and licensed? Is the period in which the verification was conducted recent and relevant? |
| Changes in foreign practices | <ul style="list-style-type: none"> ■ Has an assessment been conducted to determine how proposed changes to laws and/or customs could impact the company's ownership? Has this been disclosed? ■ Does the company have plans in place to address such changes and have these been disclosed? |
| Restrictions or conditions imposed by foreign government | <ul style="list-style-type: none"> ■ How do the restrictions or conditions impede the company's ability to further develop the property? ■ Have these restrictions or conditions, together with their potential impact, been disclosed? |

Non-GAAP Financial Measures

Non-GAAP Financial Measures

Observations

Many companies disclose non-GAAP financial measures, such as cash costs per ounce, without explaining why these measures provide useful information to investors. Further, 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

Non-GAAP Financial Measures Hot Buttons

| Areas | Considerations |
|-------------------------------------|---|
| Usefulness | <ul style="list-style-type: none"> ■ Has the company disclosed: <ul style="list-style-type: none"> ■ Why the non-GAAP financial measure useful to an investor? ■ Why management consider the non-GAAP financial measure to be useful? |
| Reconciliation | <ul style="list-style-type: none"> ■ Is a reconciliation between the non-GAAP financial measure and the most directly comparable GAAP measure provided? |
| No standardized meaning | <ul style="list-style-type: none"> ■ Does the disclosure explicitly state that there is no standardized meaning of the non-GAAP financial measure? |
| Prominence | <ul style="list-style-type: none"> ■ Has the most directly comparable GAAP measure been presented with equal or greater prominence to the non-GAAP financial measure? |
| Explain changes from previous years | <ul style="list-style-type: none"> ■ If composition of the non-GAAP financial measure has changed from the previous year, have the changes been explained? |

Non-GAAP Financial Measures

Example of Deficient Disclosure

No explanation
why useful

No reconciliation
provided

No standardized
meaning

The company has included a non-GAAP performance measure, cash costs per ounce within this report. The company reports the cash cost per ounce of gold produced in accordance with guidance provided by the Gold Institute. This method is widely reported in the gold mining industry as a benchmark for performance measurement. However, the method does not include depletion, depreciation, exploration or corporate administrative costs and is therefore not directly reconcilable to costs as reported under generally accepted accounting principles in Canada or the U.S.A.

Non-GAAP Financial Measures

Example of Comprehensive Disclosure

Why useful

The company has included a non-GAAP performance measure cash costs per ounce within this report. We believe this measure is useful in that it allows the company to better understand how the direct costs of production correlate to the actual revenues generated from sales. Specifically, Management generally targets cash cost per ounce levels that are less than the realized price of gold per ounce. As disclosed in “Results of Operations”, the average realized price of gold in 20XX was \$1,600. As a result, management has been targeting a cash cost of \$800 or less to cover mining and other costs and generate sufficient returns. The company reports the cash cost per ounce of gold produced in accordance with guidance provided by the Gold Institute. This method is widely reported in the gold mining industry as a benchmark for performance measurement. Total cash costs per gold ounce are derived from all costs absorbed but does not include depletion, depreciation, exploration or corporate administrative costs. The costs included in the calculation of cash costs per ounce are divided by gold ounces sold.

Highlights that there is no standardized meaning

Cash cost per ounce does not have a standardized definition under IFRS and is solely intended to provide additional information to the reader. Other companies may calculate this measure differently. Cash cost per ounce should not be considered a substitute for information prepared in accordance with IFRS. The cash cost per ounce is reconciled to IFRS as follows:

Non-GAAP Financial Measures

Example of Entity-Specific Disclosure (con't)

Presented with equal prominence to IFRS

Quantitative reconciliation

Explanation of changes in calculation from prior year

| (\$ thousands, except per ounce) | 2012 | 2011 |
|---|-----------|-----------|
| Total Expenses (as per F/S) | \$15,550 | \$3,922 |
| Less: Exploration | (\$500) | - |
| Less: Depreciation | (\$1,150) | (\$1,100) |
| Less: General and Administrative | (\$250) | (\$180) |
| Cash cost of sales | \$13,650 | \$2,642 |
| Gold Ounces Sold | 16,750 | 3,149 |
| Cash Cost per ounce sold | \$815 | \$839 |
| (Note: 2012 is the first year since entering into commercial production where the company incurred exploration expenses. The company began exploring vein XYZ in 2012 to determine feasibility of expanding the project.) | | |

Latest Regulatory Developments

Exempt Market Review

- CSA Staff Notice 45-310 *Update on Staff Consultation Note 45-401 Review of Minimum Amount and Accredited Investor Exemptions*
 - Review of the minimum amount and accredited investor prospectus exemptions
- OSC Staff Consultation Paper 45-710 *Considerations for New Capital Raising Prospectus Exemptions*
 - Four “concept ideas” for new capital raising prospectus exemptions, including crowdfunding
 - Subject to further consultation

Proportionate Regulation for Venture Issuers

- Proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* was republished on September 13, 2012
- Purpose of initiative
 - To streamline and tailor venture issuer disclosure to make it more useful and user-friendly for investors
 - To make the disclosure requirements for venture issuers more suitable and more manageable for issuers at this stage of development
- The 90-day comment period ended December 12, 2012

Helpful Information about the OSC

Useful Links for Companies

http://www.osc.gov.on.ca/en/SecuritiesLaw_irps_index.htm

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OSC ► Securities Law & Instruments ► Instruments, Rules & Policies

Legislation
Instruments, Rules & Policies
Proposed Instruments, Rules & Policies
Orders, Rulings & Decisions
OSC Bulletin
Frequently Used Forms

Securities Law & Instruments

Instruments, Rules & Policies

This section contains proposed and final instruments, rules, policies, and other regulatory documents. They are grouped by subject according to the Canadian Securities Administrators (CSA) numbering system.

- 1 - Procedure and Related Matters
- 2 - Certain Capital Market Participants
- 3 - Registration Requirements and Related Matters
- 4 - Distribution Requirements
- 5 - Ongoing Requirements for Issuers and Insiders**
- 6 - Take-Over Bids and Special Transactions
- 7 - Securities Transactions Outside the Jurisdiction
- 8 - Mutual Funds

RELATED INFORMATION

- Backgrounder on Rule Making
- CSA Numbering System
- Table of Concordance

Useful Links for Companies

OSC | Companies - Information for Small and Medium Enterprises - Windows Internet Explorer

http://www.osc.gov.on.ca/en/Companies_smaller-companies_index.htm

HOME | CAREERS | FAQs | CONTACT US | SITE MAP | FRANÇAIS

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OSC > Companies > Information for Small and Medium Enterprises

Selling Securities
Asking for Relief
Ongoing Disclosure
Take-Over Bids, Special Transactions and Early Warning
Filing Documents Electronically
Information for Small and Medium Enterprises
Categories & Meeting Seminars
Information on IFRS

Information for: Companies

Information for Small and Medium Enterprises

This web page is dedicated to providing Small and Medium Enterprises (SMEs) with useful information relevant to their market. SMEs and their advisors are encouraged to frequently visit this page and its contents to learn more about OSC rules and requirements, and capital market information that impact them.

Table of Contents

- Small and Medium Enterprises in Ontario
- The OSC SME Institute
- The OSC SME Community
- The Small and Medium Enterprises Committee
- Topical Information for SMEs
 - How To Raise Capital
 - Ongoing Requirements
- Other Information
- SME Alerts
- Contact Us

Small and Medium Enterprises in Ontario

The OSC recognizes the important role the small business sector plays in Ontario's capital market. Approximately 36 per cent of Canadian SMEs were recorded as Ontario-based, representing 97 per cent of Ontario-based businesses (*Industry Canada, SME Financing Data Initiative, 2007*). Additionally, a significant proportion of TSX-Venture listed issuers are also based in Ontario.

The OSC's role as securities regulator is to uphold confidence and integrity in Ontario's capital markets. Given the importance of SMEs to Ontario's market, the OSC works to foster easier access to capital raising for SMEs, while adequately protecting the needs of investors in those companies. The OSC strives to support Ontario-based SMEs in all industries by facilitating cost-effective compliance through appropriate regulation and targeted programs of issuer education and outreach.

SPOTLIGHT ON:

17 SME Institute Calendar

Filing Due Dates Calendar for Annual & Interim Filings by Reporting Issuers

RELATED INFORMATION:

- Reporting Issuers List
- OSC Staff Notice 41-702: PIFs
- OSC Staff Notice 41-703: Relief evidenced by receipt

Responding to OSC Comment Letters

- Contact staff if clarification is required
- Provide a comprehensive response to each question asked
- Include detailed analysis, if requested, which reconciles to financial statements and other filings
- Cite authoritative accounting references in response to questions related to financial statements

What if I Don't Comply?

- Placed on default list
 - OSC Policy 51-601 *Reporting Issuer Defaults*
 - Lists key deficiencies resulting in a reporting issuer being noted in default, such as, financial statements, MD&A and technical reports

What if I Don't Remedy?

- National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*
 - Describes how CSA generally responds to CD defaults by reporting issuers
- If default not remedied within specified time
 - Staff recommends whether CTO is appropriate

How do I Lift my CTO?

- National Policy 12-202 *Revocation of Cease Trade Orders*
 - Explains what reporting issuers must do for partial or full revocation of cease trade orders
 - Explains some of the factors staff may take into account when considering the appropriateness of partial or full revocation

When I Remedy

- If done quickly – avoid default/CTO
- Once deficiency is remedied – placed on *Refilings & Errors List*
 - File press release (OSC Staff Notice 51-711 *List of Refilings and Corrections of Errors as a Result of Regulatory Reviews*) communicating the refiling to the marketplace

Questions?

Appendices

Appendix A – Key References

Appendix A – Key References

| Topic | Reference |
|---|---|
| <u>Securities Regulation 101</u> | |
| Continuous Disclosure Obligations | NI 51-102 <i>Continuous Disclosure Obligations</i> |
| Materiality | Subsection 4.2 of National Policy 51-201 <i>Disclosure Standards</i> |
| <u>Financial Statements</u> | |
| Exploration and evaluation expenditures | IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> (IFRS 6) |
| Impairment of exploration and evaluation assets | IFRS 6 IAS 36 <i>Impairment of Assets</i> OSC Staff Notice 52-720 <i>Office of the Chief Accountant - Financial Reporting Bulletin, February 2012</i> (OSC Staff Notice 52-720) |
| Going concern | IAS 1 <i>Presentation of Financial Statements</i> (IAS 1) OSC Staff Notice 52-720 |
| Judgements and estimates | IAS 1 OSC Staff Notice 52-720 |

Appendix A – Key References (cont'd)

| Topic | Reference |
|--|--|
| <u>Management's Discussion and Analysis</u> | |
| Discussion of operations | Item 1.4 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i> |
| Liquidity and capital resources | Items 1.6 and 1.7 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i> |
| Transactions between related parties | Item 1.9 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i> |
| Venture issuers disclosures | Subsection 5.3 of NI 51-102 <i>Continuous Disclosure Obligations</i> |
| Risk and uncertainties | Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i> <ul style="list-style-type: none"> • Part 1 (a) General Provisions • Item 1.2 Overall Performance • Item 1.4 Results of Operations • Item 1.6 Liquidity • Item 1.14 Financial Instruments and Other Instruments |
| <u>Other Key Obligations</u> | |
| Technical Report | NI 43-101 <i>Standards of Disclosure for Mineral Projects</i> |
| Promotional Disclosure | CSA Staff Notice 51-336 <i>Issuers Using Mass Advertising</i> |
| Non-GAAP Financial Measures | CSA Staff Notice 52-306 (Revised) – <i>Non-GAAP Financial Measures and Additional GAAP Measures</i> |

Appendix B – OSC Contacts

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 inquiries@osc.gov.on.ca

Financial Examiners

- Financial examiners in OSC Corporate Finance Branch maintain CD records, monitor SEDAR filings, and provide assistance for Ontario reporting issuers

| Companies with names beginning with... | Financial examiner |
|--|---|
| Numbers, A, B, G, N | Sheryl Antonio 416-595-8941 finrenotifications@osc.gov.on.ca |
| D, O, P, Q, R, S | Shirley Kosti-Perciasepe 416-593-8280 finrenotifications@osc.gov.on.ca |
| E, F, H, T, U, V, W, X, Y, Z | Sonia Castano 416-593-8212 finrenotifications@osc.gov.on.ca |
| C, I, J, K, L, M | Diana Gritton 416-204-8990 finrenotifications@osc.gov.on.ca |

Insider Reporting Review Officers

- Insider reporting review officers in OSC Corporate Finance Branch keep track of insider filings and are available to answer questions

| Companies with names beginning with... | Insider Reporting Review Officer |
|--|--|
| Numbers, A to G | Evelina Barsukov 416-593-3694 ebarsukov@osc.gov.on.ca |
| H to Z | Elizabeth Henry 416-593-8334 ehenry@osc.gov.on.ca |

Corporate Finance Contacts

Kelly Gorman

Deputy Director, Corporate Finance

Email: kgorman@osc.gov.on.ca

Phone: 416-593-8251

Rick Whiler

Senior Accountant, Corporate Finance

Email: rwhiler@osc.gov.on.ca

Phone: 416-593-8127

Shaifali Joshi

Senior Accountant, Corporate Finance

Email: sjoshi@osc.gov.on.ca

Phone: 416-595-8904

Marie-France Bourret

Accountant, Corporate Finance

Email: mbourret@osc.gov.on.ca

Phone: 416-593-8083

Viraj Trivedi

Accountant, Corporate Finance

Email: vtrivedi@osc.gov.on.ca

Phone: 416-204-8995

Lisa Enright

Manager, Corporate Finance

Email: lenright@osc.gov.on.ca

Phone: 416-593-3686

Craig Waldie

Senior Geologist, Corporate Finance

Email: cwaldie@osc.gov.on.ca

Phone: 416-593-8308

James Whyte

Senior Geologist, Corporate Finance

Email: jwhyte@osc.gov.on.ca

Phone: 416-593-2168

Catalina Miranda

Accountant, Corporate Finance

Email: cmiranda@osc.gov.on.ca

Phone: 416-204-8965