SME

Ontario Securities Commission

OSC SME INSTITUTE

Continuous Disclosure Best Practices

Corporate Finance Branch
January 21, 2014

OSC

Disclaimer

"The views expressed in this presentation are the personal views of the presenting staff and do not necessarily represent the views of the Commission or other Commission staff.

The presentation is provided for general information purposes only and does not constitute legal or accounting advice.

Information has been summarized and paraphrased for presentation purposes and the examples have been provided for illustration purposes only. Responsibility for making sufficient and appropriate disclosure and complying with applicable securities legislation remains with the company.

Information in this presentation reflects securities legislation and other relevant standards that are in effect as of the date of the presentation.

The contents of this presentation should not be modified without the express written permission of the presenters."

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Presentation Outline

Time	Topic	Page
1:30-1:35	Introduction	
1:35-2:15	MD&A	4
2:15-2:35	Non-GAAP Financial Measures	69
2:35-2:55	Forward Looking Information	86
2:55-3:15	Operating Segments	107
3:15-3:30	Questions	

Management's Discussion and Analysis (MD&A)

Background

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

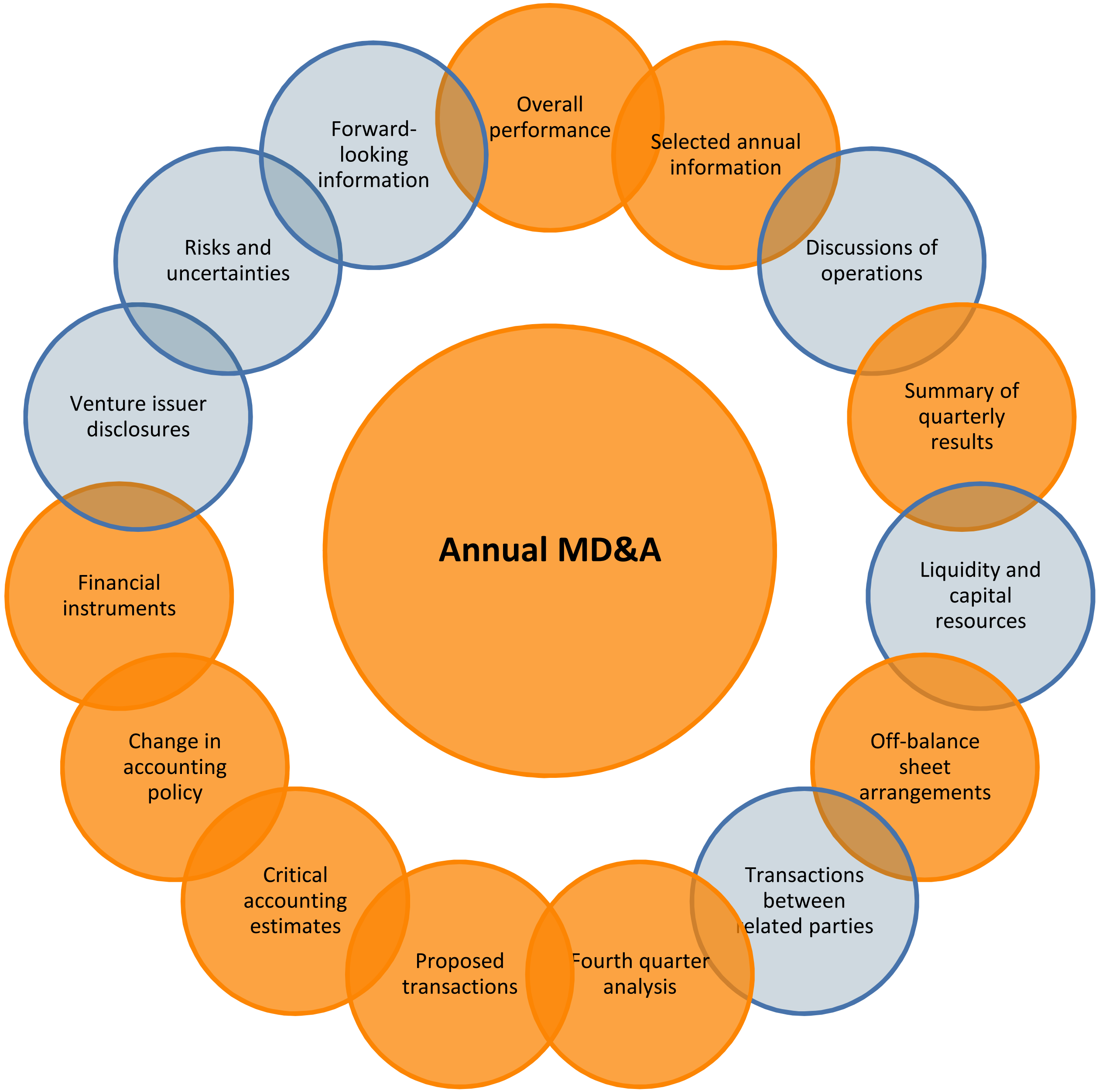
The MD&A should complement and supplement the company's financial statements.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC



Discussion of Operations

Discussion of Operations – 51-102F1 – Part 2, item 1.4

- Companies should provide an in-depth analysis of:
  - Net sales or total revenues by operating segment;
  - Cost of sales or gross profit;
  - Significant projects that have not generated operating revenues;
  - Producing mines or mines under development;
  - Previous financing.

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

Changes in Revenues and Costs

Changes in Revenues and Costs

Observations

Discussion of operations is boilerplate and does not provide entity-specific disclosure about changes in revenues and cost of sales

Why important?

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

Provide analysis of operations by discussing why revenues and costs have changed.

SME

Ontario Securities Commission

OSC SME INSTITUTE

Changes in Revenues and Costs – Hot Buttons

Areas	Considerations
Revenues	▪ Have changes caused by the following factors been disclosed? • Selling prices • Volume / quantity of goods and services • Introduction of new products or services • Any other factors
Costs	▪ Have changes caused by the following factors been disclosed? • Labour and material costs • Price changes • Inventory adjustments
Segments	▪ Does the disclosure discuss performance of all reportable segments disclosed in the financial statements?

OSC

Changes in Revenues and Costs – Example of Boilerplate Disclosure

- Repetition from financial statements
- No discussion of variances

Revenue increased from $900,000 to $1,100,000, a 22% increase. Gross profit increased from $400,000 to $408,000, a 2% increase.

Changes in Revenues and Costs – Example of Entity-Specific Disclosure

Discussion of variances

Quantification of factors

Relationship with gross profit

Revenue increased from $900,000 to $1,100,000, a 22% increase. Three factors caused revenue to increase by $200,000:

- The introduction of a new product during the fourth quarter, Product Y $170,000
- Increased sales volume of Product X $60,000; and
- Decreased unit price of Product X ($30,000).

Gross profit increased from $400,000 to $408,000, a 2% increase. As a percentage of revenue, gross profit decreased by 7%. In late 2012, we anticipated new competition entering our market, so we discounted our remaining Product X units to encourage their sale and to allow us to focus on its replacement, Product Y. Discounts on Product X caused the reduced gross profit percentage. We expect to continue discounting Product X in the first quarter, but expect our gross profit to improve as Product Y replaces Product X.

Projects Not Yet Generating Revenue

Projects Not Yet Generating Revenue

Observations

Discussion of significant projects that have not yet generated revenue often do not include status updates against originally projected plans.

Why important?

Investors want information on the progress of significant projects to assess management, the company's performance, as well as future prospects.

Project updates should discuss status, expenditures made, and anticipated timing and costs to reach the next phase or milestone.

Projects Not Yet Generating Revenue – Hot Buttons

Areas	Considerations
Status	▪ Is there disclosure of the project's progress compared to the plan? ▪ What is being planned next? ▪ On a property-by-property basis: • What are you looking for? • Where are you looking?
Expenditures	▪ Have the following been disclosed? • Expenditures to date. • Whether the company anticipates spending more than budget on each project. • Amounts that need to be spent to get project to next level and how will you pay for it?

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Projects Not Yet Generating Revenue – Example of Boilerplate Disclosure

- Lacks comparison
- Does not address future spending

The Company is developing a medical device to treat burn victims. The product will require clinical testing and is subject to FDA approval. The Company has spent $1.2 million to date developing and testing the technology. The Company expects the product to launch in approximately two years.

Projects Not Yet Generating Revenue – Example of Entity-Specific Disclosure

Additional financing

The Company expects to begin shipping the product four months after receiving FDA approval. The Company has spent approximately $1.2 million to date developing and testing the technology, and will require an additional $1.3 million to complete testing and receive FDA approval. Following FDA approval, the Company expects to incur $2 million in production and marketing costs to bring this product to market.

Status compared to plan

As disclosed in previous MD&A, initial test results required the Company to modify its prototype. As a result, the Company is currently $500,000 over budget and 6 months behind schedule. Since this initial setback, the Company has experienced no additional delays or unexpected costs.

Producing and Development Mines

Producing and Development Mines

Observations

Discussion of producing mines or mines under development do not clearly or adequately explain the scale and status of the project.

Why important?

Investors want information on the progress of significant projects to assess management, the company's performance, as well as future prospects. They also want info on production figures, operating costs, new developments and the impact each of these has on mineral reserves.

The MD&A form requires project updates to discuss milestones, expansion plans, productivity improvements, plans to develop a new deposit, production decisions and the basis for any such milestones.

Producing and Development Mines – Hot Buttons

On a property-by-property basis:

Areas	Considerations
Milestones	▪ Have milestones been identified? ▪ What are the results of pre-feasibility expansion plans or development of new resource zones or feasibility studies. ▪ Have there been any exploration discoveries? ▪ What were the mineral resource or mineral reserve losses? ▪ What decisions have been made about production? ▪ Are any of the milestones based on a technical report?

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Producing and Development Mines – Example of Boilerplate Disclosure

Lacks detail

Impact not explained

Total ore mined in the quarter ended June 30, 2013 was 102,200 tonnes at improved gold grades compared to last quarter's figures due to improvements made at the end of 2012. These improvements reduced the cash cost per ounce to US$1,088 in the current quarter and the Company sold its increased gold production at an average price of US$1,404.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Producing and Development Mines – Example of Entity-Specific Disclosure

Supporting details

Reason for variance

Total ore mined in the quarter ended June 30, 2013 was 102,200 tonnes at 6.47 g/t gold. The tonnage and grade is 36% and 11% above last quarter's figures, respectively, driven by productivity improvements at the mine and at the mill. The increased mining rate is attributable to a larger mechanized mining fleet suitably fitted to the mining method and improved underground infrastructure. The mill attained an average daily production rate of 920 tonnes at 94% gold recovery with improved performance attributable to the mill expansion completed at the end of 2012 with installation of a ball mill with twice the previous capacity. These improvements contributed to a significant year-over-year reduction in all-in sustaining cost per ounce of US$1,088 in the current quarter from US$1,242 last year. The Main Gold Mine sold a total of 14,686 ounces of gold at an average price of US$1,404 in the quarter compared to gold sales of 12,109 ounces at an average price of US$1,612 in the comparable period last year.

Variances in the Use of Proceeds

Variances in the Use of Proceeds

Observations

Funds raised by way of a prospectus are often for specific projects or stages of specific projects. Companies do not always adequately explain how proceeds raised in public offerings were subsequently used and the impact of any changes from their originally intended use.

Why important?

Investors should be made aware of how their investment is being spent. Updating the use of proceeds in the MD&A will allow investors to assess how management has ultimately spent the funds.

Companies are required to compare, in tabular form, the changes in the use of proceeds and to explain the impact of the changes on the company's ability to achieve its business objectives and milestones.

Variances in the Use of Proceeds – Hot Buttons

Areas	Considerations
Variances	▪ How does the nature and amount of expenditures made by the company compare to the use of proceeds from previous financing? ▪ How do variances impact future operations? ▪ How will the variance affect the company’s ability to achieve its business objectives and milestones? ▪ Will the company require additional financing to meet its next milestone?
Disclosure	▪ Have the above items been disclosed? ▪ Does the disclosure comply with MD&A requirements?

Variances in the Use of Proceeds – Example of Boilerplate Disclosure

Disclosure from prospectus

Disclosure not updated

Although the company intends to expend the net proceeds from the prospectus as described in the preceding paragraph, there may be circumstances where for sound business reasons, a reallocation of funds may be deemed prudent or necessary. While actual expenditures may differ from the above amounts and allocations, the net proceeds will be used by the company in furtherance of its business.

Variances in the Use of Proceeds – Example of Entity-Specific Disclosure

Additional investment

Impact on other projects

The following table provides an update on the anticipated use of proceeds raised in the most recent financing, along with amounts actually expended and a description of the variances. The company recently determined that additional investment is required to get Project A to the testing phase. The final column of the table indicates the company's revised estimate of the total expenditure required to complete the indicated phase. Given the anticipated increased costs for Project A, the company was not able to use the funds for Project B as noted in the prospectus. The expected budget for Project B remains unchanged from that disclosed in the prospectus and the company is developing a strategy to ensure funding is available so that the time of Project B is not delayed.

Variances in the Use of Proceeds – Example of Entity-Specific Disclosure (cont'd)

Revised expenditures

Project A – Update of costs expended and project budget:

Phase	Previously disclosed	Spent to date	Variance	Reason	Total revised budget
R&D	$4,600	$5,200	$600	Additional design modifications required	$5,300
Testing	$1,200	Nil	($1,200)	To be started next fiscal	$1,200
Total	$5,800	$5,200	($600)		$6,500

Project B – Update of costs expended and project budget:

Phase	Previously disclosed	Spent to date	Variance	Reason	Total revised budget
R&D	$700	Nil	($700)	Deferred project until financing can be secured	$700
Total	$700	Nil	($700)		$700

Liquidity and Capital Resources

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Liquidity – 51-102F1: Part 2, item 1.6

- Companies should discuss the following:
  - How they intend on generating sufficient amounts of cash in the short and long term;
  - If a working capital deficiency exists, its ability to meet obligations and how the company intends on remedying the deficiency;
  - Trends or expected fluctuations in liquidity;
  - Liquidity risks associated with financial instruments;
  - Significant risks of defaults or arrears;
  - How the company intends to cure the default or arrears or address the risk.

Repeating cash flow information that is readily available from the financial statements is not sufficient.

Capital Resources – 51-102F1: Part 2, item 1.7

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

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

Ontario Securities Commission
OSC SME INSTITUTE

Liquidity and Capital Resources

Observations

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

Why important?

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

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

SME

Ontario Securities Commission

OSC SME INSTITUTE

Liquidity and Capital Resources – Hot Buttons

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

OSC

Liquidity and Capital Resources – Hot Buttons (cont'd)

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

Working Capital Deficiency – Example of Boilerplate Disclosure

Ability to meet obligations

Lacks explanation of remedy

At year end, the Company had cash of $10,000, total current assets of $200,000 and total current liabilities of $500,000. This resulted in a working capital deficiency of $300,000. The Company is actively seeking alternative sources of financing.

Working Capital Deficiency – Example of Entity-Specific Disclosure

Remedy

Ability to meet obligations

At year end, the Company had cash of $10,000, total current assets of $200,000 and total current liabilities of $500,000. This resulted in a working capital deficiency of $300,000. Subsequent to year end, the Company has entered into discussions to borrow an additional $350,000 from both private investors and shareholders to meet current and future working capital requirements. The Company is also exploring other financing alternatives, such as factoring accounts receivables and a sale and leaseback of capital assets. In the short term, the Company will rely on advances from shareholders and the exercise of options to fund operating costs.

Debt Covenants – Example of Boilerplate Disclosure

General and not specific

The Company's credit facility contains certain covenants that it must comply with; otherwise, the amounts outstanding are payable on demand. As at December 31, 2013 the Company violated such covenants.

Debt Covenants – Example of Entity-Specific Disclosure

- Covenants and restrictions
- Breach
- Remediation plan

The Company's share capital is not subject to any external restrictions; however its credit facility is subject to periodic reviews. The credit facility also contains a financial covenant that requires the Company to maintain a working capital ratio of at least 1:1. As at December 31, 2013, this ratio was 0.5:1. The bank waived the breach prior to the year ended December 31, 2013 and has allowed the Company six months to remedy the deficiency. The Company intends to acquire additional financing through private placements to fund current working capital needs and remedy the deficiency.

Cash Burn Rate – Example of Boilerplate Disclosure

No analysis of burn rate

During the three months ended March 31, 2013, cash flow used in operating activities was $656,000.

No explanation of why sufficient

Management believes the cash and cash equivalents balance of $3,253,000 is sufficient for the company's operations in the foreseeable future.

Cash Burn Rate –
Example of Entity-Specific Disclosure

Current burn rate and trend

During the three months ended March 31, 2013, cash flow used in operating activities was $656,000. During the period from January 1, 2013 to March 31, 2013, the company's average monthly cash burn rate was $198,000. Due to the strategic plans the company expects to execute in the coming fiscal year, management expects the monthly cash burn rate to increase to $265,000, mainly as a result of an increase in marketing expenditures.

Plan in response to burn rate

Management believes the cash and cash equivalents balance of $3,253,000 is sufficient for the company's operations in the foreseeable future, even with the increased cash burn rate. However, management is also in the process of obtaining an additional operating line of credit to provide the company with additional working capital when necessary.

Commitments for Expenditures – Example of Boilerplate Disclosure

Contractual Obligations	Total	< 1 yr.	1-3 yrs.	3-5 yrs.	> 5 yrs.
Long-term debt	4,567	724	1,320	1,407	1,116
Capital leases	775	236	539	-	-

Commitments for Expenditures – Example of Entity-Specific Disclosure

Committed expenditures

[Contractual Obligation Table]

The company has entered into a development and license agreement with XYBio Inc. under which the company and XYBio Inc. collaborate in certain research and development activities to conduct further studies on the commercialization potential of patent #345. The company is obligated to provide XYBio Inc. with up to $2,000,000 in research funding and milestones payments, of which $500,000 is to be paid over the next 5 years at $100,000 per year upon the completion of the activities stipulated in the agreement, and the remainder is to be paid in three instalments of $700,000, $400,000 and $400,000 respectively upon the achievement of three milestones. The timing of achieving the milestones is uncertain, but the first milestone is expected to be achieved in the summer of 2013, and all milestones are expected to be achieved by 2016.

Risks and Uncertainties

Risks and Uncertainties – 51-102F1 – Part 1(a)

- Companies should discuss the following:
  - Risks and uncertainties that:
    - may affect/have affected the company and that would be most likely to influence an investor's decision to purchase its securities;
    - affect the company's financial statements and/or are reasonably likely to affect them in the future;
- Entity specific disclosure describes:
  - the risk in detail;
  - its potential impact on the company's business, financial condition, and results of operations;
  - the company's strategy for monitoring and mitigating risks.

To be meaningful to investors, risk disclosure needs to be entity-specific and continuously updated.

Risks and Uncertainties

Observations

Disclosure of risks and uncertainties is often boilerplate in nature and the potential impact of how the risks may affect the company is clearly disclosed.

Why important?

Investors need to understand the entity specific risks and how those risks may impact the company and its business, both of which may affect an investment decision or the value of their investment should the risks be realized.

Throughout each section of the MD&A, companies should disclose risks and uncertainties that are material and entity-specific.

Risks and Uncertainties – Hot Buttons

Areas	Considerations
Enterprise risk management	▪ Has information been sought from industry associations and competitors to remain abreast of emerging risks? ▪ Has the Board been informed of the risks that **are not** being actively managed and those that **are** being actively managed?
Disclosure	▪ Have all risks **material** to the company been disclosed? • Is there disclosure on how the risk may impact the company? • Has the risk disclosure been updated to reflect changes in current and expected conditions? *Note: Do not provide a 'laundry list' of every conceivable risk .*

To provide meaningful information, companies should disclose the strategies used to manage its risks.

Competition Risk – Example of Boilerplate Disclosure

General and not specific

Potential impact is not disclosed

Our industry is very competitive. We face significant competition from other software companies 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.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Competition Risk – Example of Entity-Specific Disclosure

Entry-specific

We face significant competition from other manufacturers in Canada and Country ABC. Our competitors include Company Calao and 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 proprietary software and market products on a global basis.

Potential impact

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.

Risk management strategy

To mitigate competition risk, our strategies include creating long-term value for our customers and implementing efficient processes to manufacture our main product Top Program.

Key Supplier Risk – Example of Boilerplate Disclosure

- General and not specific
- Potential impact is not disclosed

The company is reliant on a key supplier for the supply of component parts for widgets.

Key Supplier Risk – Example of Entity-Specific Disclosure

Entry-specific

Potential impact

Reliance on Supplier XYZ

The company obtains its supply of the component parts for widgets from Supplier XYZ under the Supply Agreement dated March 31, 2010 for a five year term. Under the terms of the Supply Agreement, the company is required to purchase a minimum of 30% of its supply of component parts of widgets from Supplier XYZ on an annual basis and Supplier XYZ is to also provide the supplies upon the company's request. The company obtains a discount on the supplies of component parts. Should the supplier fail to meet its obligations under the terms, manufacturing operations could be negatively impacted as the production process of widgets may be set back. Further, the possible non-renewal of the Supply Agreement may result in significant increased production costs and a possible compromise on the quality of widgets.

SME

Ontario Securities Commission

OSC SME INSTITUTE

Key Supplier Risk –
Example of Entity-Specific Disclosure (cont'd)

Risk management strategy

The company manages the risks of reliance on Supplier XYZ through alternative supply arrangements with various other suppliers of component parts. These arrangements provide for similar discounts and are of comparable quality as those provided under the Supply Agreement.

OSC

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Foreign Operational Risk – Example of Boilerplate Disclosure

General and not specific

Potential impact is not disclosed

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

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Foreign Operational Risk – Example of Entity-Specific Disclosure

Entry-specific

Potential impact

The Company's principal property is located in Region Y of Foreign Country X. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency, inflation, political and property title risk. On January 13, 2013, a coup was initiated by members of the Region Y army, creating uncertainty within the area where the company operates. Currently, operations are continuing but travel and access to the property may be curtailed due to political instability or risks to personnel which may result in project delays. The Company is closely monitoring the situation and management will continue to provide updates.

Venture Issuer Disclosures

Venture Issuer Disclosures – 51-102 – section 5.3

- A venture issuer that has not had significant revenue from operations in either of its last two financial years, must disclose in its MD&A, a breakdown of material components of:
  - Exploration and evaluation assets or expenditures;
  - Expensed research and development costs;
  - Intangible assets arising from development;
  - General and administration expenses; and
  - Any other material costs, whether expensed or recognized as assets.
- If the venture issuer's business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

Venture Issuer Disclosures

Observations

Venture issuers that have not had significant revenue from operations do not always provide a breakdown of material costs and expenditures.

Why important?

A breakdown of costs helps investors understand the nature of the work performed and how money is being spent. 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.

Venture issuers without significant revenue should provide more granular disclosures of their costs.

Venture Issuer Disclosures – Hot Buttons

Areas	Considerations
Additional disclosure for venture issuers without signification revenue	▪ Is there a breakdown of material components of: • 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? *Note: Considered material component of cost if exceeds greater of 20% of total amount of class or $25,000*
Mining exploration and development companies	▪ Have exploration and evaluation assets or expenditures been presented on a property-by-property basis? ▪ Is there a qualitative discussion of the expenditures?

SME

Ontario Securities Commission

OSC SME INSTITUTE

Venture Issuer Disclosures – Example of Boilerplate Disclosure

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

Lacks detail

	Property A		Property B	
	Dec 31 2013 $	Dec 31 2012 $	Dec 31 2013 $	Dec 31 2012 $
Opening balance	5,100	3,300	1,300	1,100
Additions	800	1,800	400	200
Impairments / Mineral properties abandoned	-	-	(1,700)	-
Closing balance	**5,900**	**5,100**	**-**	**1,300**

OSC

SME

Ontario Securities Commission

OSC SME INSTITUTE

Venture Issuer Disclosures – Example of Entity-Specific Disclosure

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

Detail on a property-by-property basis

	Property A		Property B	
	Dec 31 2013 $	Dec 31 2012 $	Dec 31 2013 $	Dec 31 2012 $
Opening balance	5,100	3,300	1,300	1,100
Acquisitions	400	-	100	100
Assays/geochemistry	200	150	130	100
Camp costs	100	80	100	
Geology/geophysics		70		
Drilling		1,300		
Salaries/labour			70	
Impairments / Mineral properties abandoned	100	200	(1,700)	
Closing balance	**5,900**	**5,100**	**-**	**1,300**

OSC

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	▪ Are all transactions between related parties disclosed and discussed?
Identity and relationship of related party	▪ Is there disclosure of: • The **name** of the related party (not only the related party's position or relationship with the company)? • The **name** of ultimate beneficiaries of the related party transaction, where the transaction is conducted through a corporate entity? • The **relationship** between the company and the related party?

Transactions Between Related Parties – Hot Buttons (cont'd)

Areas	Considerations
Business purpose and economic substance of transaction	▪ Are the reasons for entering into the RPTs disclosed and explained? • Are the economic benefits to the company from each RPT disclosed and explained? • Is there disclosure of the consideration that was paid? • Is there an explanation as to why the company acquired assets or services from a related party as opposed to an arm's length party? • Is the discussion quantified where possible? *Note: Avoid generic descriptions such as "consulting" or "for services performed"*

Transactions Between Related Parties – Hot Buttons (cont'd)

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

Transactions Between Related Parties – Examples

- 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 Boilerplate Disclosure

Lacks detail

During the year, the company paid $300,000 for services to a firm in which a director is a partner.

Transactions Between Related Parties – Example of Entity-Specific Disclosure

Relationship/ identity

Business purpose and amount

Measurement basis used

During the year, the Company paid professional fees of $148,541 to Best Miner LLP a law firm of which Joe Prospector, a director of the Board, is a partner. These services were incurred in the normal course of operations for general corporate matters, attendance at committee and board meetings, as well as evaluating business opportunities. All services were made on terms equivalent to those that prevail with arm's length transactions.

Non-GAAP Financial Measures (NGM) and Additional GAAP Measures (AGM)

NGM – What Are They?

- Numerical measure of an issuer's financial performance that does not meet the criteria of an issuer's GAAP presentation in the financial statements.
- Exclude or include certain items as determined by the company, rather than amounts that can be found in, or derived from, financial statements.
    - not based on generally accepted accounting principles (GAAP);
    - examples include EBITDA, free cash flow and 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.

NGM – Requirements

- Should not present non-GAAP measure that confuses of obscures comparable GAAP measure.
- Non-GAAP measures should be accompanied by appropriate disclosure:
  - caution that the 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 previous disclosed measures.
- Companies should not describe adjustments as non-recurring, infrequent or unusual when a similar loss or gain is reasonably likely to occur or has occurred before (two-year window).

For further information see CSA Staff Notice 52-306.

NGM – 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.

AGM – What Are They?

- Line item, heading or subtotal *found in the financial statements* if it's relevant to understand the financial statements.
- Not a minimum line item mandated by IFRS.
- Because IFRS requires additional GAAP measures, they are not non-GAAP measures.

AGM – Requirements

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

Scope of Review

- Reviewed 50 Ontario-based reporting issuers in 2013.
- Listed on the TSX and TSXV.
- Spanned across seven different industries.
- All publicly filed disclosure on SEDAR and issuers' websites (marketing materials).

Purpose of the Review

- With the adoption of IFRS, we have seen an increase in the use of additional GAAP measures.
- Issuers in all industries use non-GAAP measures or additional GAAP measures.
- We want to ensure that investors are not misled or confused.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Overall Findings

- Overall, the results were disappointing and highlight there is room for improvement in disclosures.
- 86% of issuers received a comment letter from staff, and majority of issuers committed to improving their disclosure in future filings.
- A number of staff disclosure expectations outlined in CSA Staff Notice 52-306 *Non-GAAP Financial Measures and Additional GAAP Measures* were not being applied consistently.
- We are concerned that investors may be confused, or potentially misled, when issuers present non-GAAP financial measures or additional GAAP measures inappropriately.
- Issuers should ensure:
  - they explain the objectives for using non-GAAP financial measures or additional GAAP measures and why these measures are useful to investors;
  - provide a quantitative reconciliation between non-GAAP financial measures and most directly comparable GAAP measure;
  - provide meaningful names for additional GAAP measures on face of financial statements;
  - adjustments identified as non-recurring, infrequent or unusual are in substance actually that.

Net Operating Income – Example 1

The issuer has included items of an operating nature (depreciation and amortization and inventory write-down) below NOI – misleading as it would impair the comparability of the issuer's NOI to another issuer's NOI.

	2012 $	2011 $
Revenue	15,000	12,500
Operating expenses	7,800	6,200
Net Operating Income	7,200	6,300
Depreciation and amortization	1,800	1,400
Inventory write down	990	-
Income before income taxes	4,410	4,900

These are considered operating expenses and should be part of Net Operating Income.

Unlabelled Subtotals – Example 2

The issuer reported a number of subtotals, but did not label them. This does not provide meaningful information to investors.

	2012 $	2011 $
Interest income	7,300	6,500
Interest expenses	1,800	1,950
	5,500	4,550
Fees and miscellaneous income	1,350	1,200
	6,850	5,750
Provision for credit losses	550	350
	6,300	5,400
Operating expenses	1,100	1,900
Income before taxes	5,200	3,500

Unlabelled subtotals do not provide meaningful information to investors.

EBITDA – Example 3

The issuer reported EBITDA, however the EBITDA contains other items in addition to the ITDA. Staff are of the view that this is not truly EBITDA.

	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

Should not be included in the calculation to arrive at EBITDA.

EBITDA – Example 4

The issuer reported EBITDA, however they included stock-based compensation in 2012 which they view as non-recurring.

	2012 $	2011 $
Net income	707	655
Interest	215	195
Taxes	345	330
Depreciation and amortization	120	110
Stock based compensation	600	-
EBITDA	1987	1290

This expense was incurred in 2010 so should not be included as a non-recurring or infrequent item in 2012 to calculate EBITDA.

Non-GAAP Measures (EBITDA) – Example of Boilerplate Disclosures

Non-standard definition of EBITDA

No explanation of why it is helpful

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

No explicit language noting no standardized meaning

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

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, amortization, and impairment charges.

Non-GAAP Measures (EBITDA) – Example of Entity-Specific Disclosures

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.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Key Performance Indicators (KPIs)

- A number of issuers disclose KPIs such as adjusted earnings, net debt, debt to gross book value, or interest coverage ratios.
- If KPIs contain financial information sourced from the financial statements, staff noted a number of issuers don’t identify KPIs as non-GAAP financial measures.
- KPIs do not have standardized meanings; issuers should disclose how the KPI is calculated and should also explain how the KPI is useful to investors.

Conclusions

- Still room for improvement if an issuer discloses non-GAAP financial measures or Additional GAAP measures.
- Staff will continue to review disclosure in this area.
- Accounting firms have issued financial reporting bulletins advising clients of staff's review of non-GAAP financial measures and additional GAAP measures.
- Published OSC Staff Notice 52-722 *Report on Staff's Review of Non-GAAP Financial Measures and Additional GAAP Measures* on Dec. 13, 2013.

Forward-Looking Information (FLI)

What is FLI?

Forward-Looking Information
Disclosure regarding:
- Possible events
- Possible financial performance

Based on:
- Future economic conditions
- Future courses of action

Includes non-financial information such as:
- Key performance indicators (KPI)
- FOFI
- Financial outlook
- Targeted efficiencies
- Metal price assumptions
- Projected production levels

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

Financial Outlook
Forward-looking information ***not*** presented in the format of historical financial statements (e.g. projected EBITDA, projected earnings per share (EPS), revenue targets, operating ratios, R&D spending, and projected operating costs.)

Forward-Looking Information

Observations

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

Why important?

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

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

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Forward-Looking Information – Hot Buttons

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

Identifying FLI – Example 1a of Boilerplate Disclosure

FLI not clearly defined

This document may contain forward-looking statements. Forward-looking statements are often but not always, identified by words such as “believes”, “may”, “likely”, “plans” or similar words.

Identifying FLI – Example 1a of Entity-Specific Disclosure

Entity-specific FLI

This document contains forward-looking statements about expected future events and financial and operating performance of Company ABC. Annual targets for fiscal 2013 and related assumptions are described in Part 5 "Performance scorecard for fiscal 2012" and Part 6 "Operating and Financial targets for fiscal 2013"of this MD&A.

Identifying FLI – Example 1b of Boilerplate Disclosure

FLI not clearly defined

All statements, other than statements of historical fact, that address activities, events, or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements.

Identifying FLI – Example 1b of Entity-Specific Disclosure

Entity-specific FLI

This MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Company's properties to contain economic precious and base metals deposits; the Company's ability to meet its working capital needs for the twelve-month period ending December 31, 2013; the plans, costs, timing and capital for future exploration and development of the Company's property interests in Zimbabwe and South Africa, including the costs and potential impact of complying with existing and proposed laws and regulations.

Material Factors and Assumptions – Example 2a of Boilerplate Disclosure

No assumptions provided

In fiscal 2013, the Company anticipates meeting the following target:

- Total sales to be 5.0% to 6.0%

Material Factors and Assumptions – Example 2a of Entity-Specific Disclosure

Specific assumptions

In fiscal 2013, the Company expects total sales to increase by 5.0% to 6.0%. This expectation is based on same-store sales growth of between 3.0% and 4.0% and the introduction of new brands to our city centre stores. It is expected that new brands will contribute to the increase in sales and will be offset by increased competition from U.S. retailers. Key performance indicator for the Company includes retail sales per square foot, this target assumes an average sale per square foot of $45. An increase of 25 basis points in the interest rates may cause the sales target to decrease by 1-2%.

Material Factors and Assumptions – Example 2b of Boilerplate Disclosure

No assumptions provided

The entity expects the EBITDA for segment #1 to reach $125 million by 2014. We expect synergies from the acquisition of EFG Corp.

Material Factors and Assumptions – Example 2b of Entity-Specific Disclosure

Indication of FLI

Certain statements and other information included in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “project”, “intend”, “estimate”, “outlook”, “focus”, “potential”, “will”, “should”, “would”, “could” and other similar expressions. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Specific assumptions

Material risk factors provided

FLI Statements	Assumptions	Risk Factors
Synergies to be achieved on the EFG acquisition	▪ ABC’s ability to successfully integrate the business of EFG as planned within expected time frames and costs.	▪ ABC’s ability to achieve enhanced purchasing efficiencies, expansion in product offerings and a reduction in overhead expenses.
Segment no. 1 of EBITDA to reach $125 million by 2014	▪ Retail business conditions are assumed to be within normal parameters with respect to prices, margins, product availability, and supplier agreements for our major products. ▪ ABC’s ability to identify suitable candidates for acquisitions and negotiate acceptable terms. ▪ ABC’s ability to implement its standards, controls, procedures, and policies at the acquired business to realize the expected synergies.	▪ Retail business conditions are assumed to be within normal parameters with respect to prices, margins, product availability, and supplier agreements for our major products. ▪ ABC’s ability to integrate acquisitions, including its ability to achieve efficiencies as planned.

Updating FLI –
Example 3a of Boilerplate Disclosure

No events or circumstances discussed

Gold production target for 2013 has been increased to 70,000 to 80,000 gold ounces.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Updating FLI – Example 3a of Entity-Specific Disclosure

- Updated FLI
- Events and circumstances discussed
- Updated assumptions

Gold production was originally anticipated to be the range of 40,000 to 50,000 gold ounces for 2013. Given the recent developments in Q2, the target for 2013 has increased to 70,000 to 80,000 gold ounces. The expansion and development of ABC mine was completed at the end of Q2 and will be contributing to the increased production. It is expected that weekly production will be increased by approximately 1,400 ounces. The Company is in the process of hiring additional engineering staff to support the increased production. If we are unable to hire qualified personnel, the target may only increase to 60,000 to 70,000 gold ounces.

Updating FLI –
Example 3b of Entity-Specific Disclosure

Certain statements and other information included in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “project”, “intend”, “estimate”, “outlook”, “focus”, “potential”, “will”, “should”, “would”, “could” and other similar expressions. … The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Identification of FLI

Updated FLI

	Revised guidance for 2013 and expected change from 2012 results	Original targets for 2013 and expected change from 2012 results	Guidance change
Consolidated			
Revenues	$5.4 to $5.55 billion 2 to 5%	$5.35 to $5.5 billion 2 to 5%	Increase top and bottom of range by $50 million.
EBITDA	$1.95 to $2.03 billion 2 to 6%	$1.9 to $2.0 billion 1 to 6%	Increase top bottom of range by $30 million.
EPS – basic	$2.75 to $3.20 0 to 8%	$2.75 to $3.20 0 to 8%	No change.
Capital expenditures	Approx $900 million 5%	Approx $800 million –	Increase of $100 million.
Segment A			
Revenue	$2.9 to $3.0 billion 4 to 7%	$2.9 to $3.0 billion 4 to 7%	No change.
EBITDA	$1.2 to $1.25 billion 9 to 13%	$1.15 to $1.2 billion 4 to 9%	Increase top and bottom of range by $50 million.
Segment B			
Revenue	$2 to $2.550 billion 0 to 3%	$2.45 to $2.5 billion 0 to 3%	Increase top and bottom of range by $50 million.
EBITDA	$0.75 to $0.78 billion (5) to (2)%	$0.78 to $0.8 billion (6) to 1%	Decrease top of range by $20 million.

SME

Ontario Securities Commission

OSC SME INSTITUTE

OSC

Updating FLI – Example 3b of Entity-Specific Disclosure (cont'd)

Updated assumptions

Assumptions for 2013 original targets	Result to date or expectation for full year
• Segment B revenue growth greater than product no. 1 revenue deadlines due to continued retail expansion and upgrades supporting our distribution network. Product no. 1 revenue declines reflect continued erosion in our main market in Central Canada as increased competition arrives.	• Confirmed by results in the first six months of 2013. Segment B revenue increased by 9% year-over-year, which exceeded the aggregate 6% year-over-year decline in product no. 1 revenues.
▪ Continued decline in pricing of product no. 1.	▪ Product no. 1 revenues continued to decline due to retail price competition and unfavourable weather during the quarter. Product no. 1 revenues decreased year-over-year by 6% in the first half of 2013.
▪ Between \$20 and \$30 million in restructuring costs to support several operating and capital efficiency initiatives.	▪ Different initiatives expected to impact restructuring costs are currently estimated at approximately \$40 million for the full year. Restructuring costs of \$15 million were recorded in the first half of 2013, of which \$10 million was for employee-related initiatives and \$5 million was related to sale of real estate.

Updating FLI – Example 3c of Entity-Specific Disclosure

Previously disclosed assumptions

2013 Financial Assumptions
In the 2012 annual MD&A, the Company previously provided assumptions for 2013 which included capital expenditures estimated to range from $525 million to $550 million (discussed further in Section 3.5, Liquidity and Capital Resources). The Company expects its tax rate to be in the 23% to 28% range (discussed further in Section 2.9, Other Income Items). The 2013 pension contributions were estimated to be between $55 million and $70 million (discussed further in Section 3.9, Commitments and Future Trends). Undue reliance should not be placed on these assumptions and other forward-looking information.

Updated assumptions

2013 Third-Quarter Guidance
The Company has updated the following assumptions: Capital expenditures are currently estimated to be $605 million in 2013. This increase includes the purchase of additional vehicles and our ability to complete our planned capital program. We estimate our aggregate defined benefit pension contributions to equal approximately $55 million in 2013, and in the range of $70 million to $85 million in each of the subsequent three or four years.

Comparison to Actual – Example 4a of Boilerplate Disclosure

No comparison of actual results to financial outlook

ABC Company achieved sales growth of 10.5% in 2012 and maintained capital expenditures at $15 million.

Comparison to Actual – Example 4a of Entity-Specific Disclosure

	2012 objectives	Accomplishments in 2012
Comparison	• Sales growth of 3 to 4%.	• Sales growth of 10.5%. • The increase in sales growth achieved during final 2011 was due to the introduction of product XX in Q4 which resulted in a growth of 6% of sales, reduction of the selling price of product Y which resulted in the increase in sales volume of 75%, and the increase in the sales volume of product R.
Explanation of material differences	▪ Capital expenditure of $25 to $35 million.	▪ Capital expenditure of $15 million. ▪ Spending was substantially lower than anticipated due to lower information technology enhancement requirements ($8 million) and less equipment replacements ($7 million).

Practice Points

- Quality of Assumptions
- Timely updating of ongoing progress
- Key performance indicators
- Separate Presentation

SME

Ontario Securities Commission
OSC SME INSTITUTE

OSC

FLI –
Example of Comprehensive Disclosure

Scorecard	Locale	What We Targeted	How We Did	Commentary	What We Are Targeting to Do in 2013
Same store sales growth	Americas	3 to 5%	6.30%	Our same-store sales growth was driven mainly by changes to our clothing lines with quality products introduced at targeted price points which contributed to positive product mix, and combined with pricing, resulted in a higher average sale per consumer in the Americas. Additional advertising targeted at our core growth markets in Eastern U.S. also contributed favourably, and we believe was a significant factor in the strong performance in our U.S. market.	4 to 6%
	Europe	3 to 5%	4.00%		3 to 5%
EPS (fully diluted)		\$2.30 to \$2.40	\$2.35	A combination of operating income growth driven primarily by continued strength in corporate sales in the Americas, a lower effective tax rate, and our share repurchase program contributed to our EPS performance in fiscal 2012.	\$2.35 to \$2.45

Operating Segments

Segment Disclosure

Observations

Reporting issuers generally provide incomplete segment information.

Why important?

Segment disclosures assist investors analyzing reporting issuers with diverse businesses.

Segment disclosures give a view of the business as seen through the eyes of management.

OSC Staff Notice 52-721 was released in September 2013. This bulletin includes specific observations related to segment reporting.

IFRS 8: Operating Segments

- Key concepts:
  - Identification of operating segments;
  - Identification of reportable segments;
  - Entity-wide disclosures.
- Predominantly a management view approach to segment reporting.
- Entity-wide disclosures are intended to streamline a portion of segment disclosures between entities.

Segment Disclosure – Hot Buttons

Areas	Considerations
General	▪ Has the chief operating decision maker been identified at the correct level? ▪ Have the operating segments been appropriately identified? ▪ Have the reportable segments been determined correctly?
Disclosure	▪ Have the following been disclosed? • Factors used to identify segments; • Nature of segments (types of products and services sold); • Segment profit or loss; assets & liabilities; • Measure of profit or loss used; • Required reconciliations; • Entity-wide disclosures.

Segment Disclosure – Example of Boilerplate Disclosure

Financial Statement Note Disclosure:

Segmented Information

The Company operates in a single 'Media' reportable segment.

Through its Media segment, the Company enters into a variety of business in the media industry. It derives its revenues from advertising, marketing, circulation, distribution, printing and other.

Segment profit or loss has been defined as operating profit which corresponds to operating profit as presented in the consolidated statement of income.

Inconsistent disclosure

MD&A Disclosure

Segment Results

ABC Group includes publications and other media "hard copy" operations under the names alpha and beta.

XYZ Group comprises of the online media business including commercial and non-commercial.

Segment Operating Results

The following table sets out operating revenue for the years ended December 31, 2013 and 2012:

	2013			2012		
	ABD	XYZ	Total	ABC	XYZ	Total
Operating revenue	53.4	46.6	100.0	53.3	46.7	100.0

Segment Disclosure – Example of Entity-Specific Disclosure

Consistent disclosure

Financial Statement Note Disclosure:

Segmented Information

The Company has two reportable segments: ABC and XYZ.

Through its ABC segment, the Company enters into a variety of business in the media industry. It derives its revenues from advertising, marketing, circulation, distribution, printing and from other public relations and "media" hard copy.

Through its XYZ segment, the company provides on-line media services.

Segment profit or loss has been defined as operating profit which corresponds to operating profit as presented in the consolidated statement of income.

MD&A Disclosure

Segment Results

ABC Group includes publications and other media "hard copy" operations under the names alpha and beta.

XYZ Group comprises of the online media business including commercial and non-commercial.

Segment Operating Results

The following table sets out operating revenue for the years ended December 31, 2013 and 2012:

	2013			2012		
	ABD	XYZ	Total	ABC	XYZ	Total
Operating revenue	53.4	46.6	100.0	53.3	46.7	100.0

Segment Disclosure – Example of Boilerplate Disclosure

Unclear disclosure

Operating Segment Note

The Company's segments consist of the geographical regions in which the Company operates. In determining the Company's segment structure, the Company considered the basis on which management, including the chief operating decision maker, reviews the financial performance of the Company.

The Company has three segments which are:

- 3 Mines in South America;
- 6 Mines in the USA; and
- 4 Development stage mines.

"Corporate and other" consists of the Company's corporate offices and exploration properties.

Segment Disclosure – Example of Entity-Specific Disclosure

Clear disclosure

Operating Segment Note

The Company's reportable segments are components of the Company's operating segments after aggregation and consist of the geographical regions in which the Company operates. In determining the Company's segment structure, the Company considered the basis on which management, including the chief operating decision maker, reviews the financial and operational performance of the Company, and whether any of the Company's mining operations share similar economic, operational and regulatory characteristics. The Company has three reportable segments, as follow (where each mine has been identified as an operating segment):

- Brazil - Mine 1, Mine 2, and Mine 3;
- USA - Mine 5 and Mine 6; and
- Canada - Mine 4 (development stage).

"Corporate and other" consists of the Company's corporate offices and exploration properties.

Segment Disclosure – Example of Boilerplate Disclosure

The following is included in the consolidated financial statements for the years ended December 31, 2013 and 2012:

Segment disclosure relating to year ended December 31, 2013:

	ABD	XYZ	Total	ABC
Revenue	30,000	2,000	3,000	35,000
Operating costs	25,000	1,000	2,000	28,000
Adjusted operating profit	5,000	1,000	1,000	7,000

Unclear disclosure

Segment disclosure relating to year ended December 31, 2012:

	ABD	XYZ	Total	ABC
Revenue	28,000	-	6,000	34,000
Operating costs	24,000	-	4,000	28,000
Adjusted operating profit	4,000	-	2,000	6,000

Segment Disclosure – Example of Entity-Specific Disclosure

The following is included in the consolidated financial statements for the years ended December 31, 2013 and 2012:

Clear disclosure

Segment disclosure relating to year ended December 31, 2013:

	ABD	XYZ	Total	ABC
Revenue	30,000	2,000	3,000	35,000
Operating costs	25,000	1,000	2,000	28,000
Adjusted operating profit	5,000	1,000	1,000	7,000

Segment disclosure relating to year ended December 31, 2012:

	ABD	XYZ	Total	ABC
Revenue	28,000	3,000	3,000	34,000
Operating costs	24,000	2,000	2,000	28,000
Adjusted operating profit	4,000	1,000	1,000	6,000

SME

Ontario Securities Commission

OSC SME INSTITUTE

Segment Disclosure – Example of Boilerplate Disclosure

Unclear disclosure

	December 31, 2013	December 31, 2012
Canada	6%	5%
United States	20%	40%
United Kingdom	10%	10%
Other	64%	45%
TOTAL	100%	100%

OSC

Segment Disclosure – Example of Entity-Specific Disclosure

Clear disclosure

	December 31, 2013	December 31, 2012
Canada	6%	5%
United States	21%	40%
United Kingdom	10%	10%
China	26%	24%
Japan	15%	9%
Germany	13%	10%
Other	9%	2%
TOTAL	100%	100%

Revenue has been attributed to the geographic regions based on the location of the customer.

In the above table, "Other" represents revenues attributed to countries in which the attributable revenues are less than 10% of total consolidated revenues.

Questions?

Contact Information

Marie-France Bourret Senior Accountant, Corporate Finance Email: mbourret@osc.gov.on.ca Phone: 416-593-8083	**Sandra Heldman** Senior Accountant, Corporate Finance Email: sheldman@osc.gov.on.ca Phone: 416-593-2355
Neeti Varma Senior Accountant, Corporate Finance Email: nvarma@osc.gov.on.ca Phone: 416-593-8067	**Jonathan Blackwell** Accountant, Corporate Finance Email: jblackwell@osc.gov.on.ca Phone: 416-593-8138