

Form 45-539F1
Small Business Offering Document

General Instructions:

- (1) *An offering document prepared using this form can only be used for a distribution of securities under ASC Blanket Order 45-539 Small Business Financing, the Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 Small Business Financing (**Order**) or a Corresponding Exemption, as defined in the Order.*
- (2) *The completed offering document and all amendments to it must be filed no later than the 30th day after the closing of the distribution:*
 - (a) *in Alberta, through the System for Electronic Document Analysis and Retrieval in accordance with National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) (NI 13-101), and/or*
 - (b) *in Saskatchewan, by filing in paper format (as defined in NI 13-101).*
- (3) *The offering document must be certified by an individual authorized to act on behalf of the issuer.*
- (4) *Draft the offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms.*
- (5) *Conform as closely as possible to the format set out in this form. Address the items in the order set out below. No variation of headings, numbering or information set out in this form is allowed and all are to be displayed as shown.*
- (6) *Various terms used in this form are defined in Alberta and Saskatchewan securities laws. For your convenience, certain terms are restated in the “Small Business Financing Guide.”*
- (7) *The offering document must be provided to each purchaser before the purchaser signs the subscription agreement. The offering document must not contain a misrepresentation. A misrepresentation means an untrue statement of material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Include particulars of any material facts which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering document. If the information contained in the offering document becomes untrue or misleading the offering document must be amended and purchasers must be given the amended offering document before their subscription can be accepted.*
- (8) *If any forward-looking information (e.g., projected sales or anticipated contracts) that could reasonably be expected to be material to a purchaser’s decision to invest is included in the offering document identify it and include proximate to it*
 - (a) *reasonable cautionary language identifying material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information,*

(b) the assumptions or material factors used to develop the forward-looking information and

(c) a statement that the issuer believes it has a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

(9) When the term “related party” is used in this form, it refers to:

(a) a director, officer, promoter or control person of the issue,

(b) in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence;

(c) in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship;

(d) an insider of the issuer;

(e) a company controlled by one or more individuals referred to in (a) to (d); and

(f) in the case of an insider, promoter or control person that is not an individual, any person that controls that insider, promoter or control person.

(The reference to “insider” includes persons or companies who would be insiders of the issuer if that issuer was a reporting issuer.)

Item 1: Specified Statements

(1) Include the following statements on the first page of the offering document in bold type:

No securities regulatory authority or regulator has reviewed or approved the merits of these securities or reviewed this offering document. Any representation to the contrary is an offence. This is a risky investment. See Item 8.

The forecasts and predictions of an early-stage business are particularly difficult to objectively analyze or confirm. Forward-looking information presented is required to be reasonable but it is the opinion of the issuer and actual results may be very different. [Instruction: Delete if there are no forecasts or forward-looking information provided.]

Item 2: The Issuer

(1) Provide the following information for the issuer:

(a) full legal name and any name it operates under;

(b) head office address;

(c) telephone number;

(d) email address; and

(e) website URL.

(2) Identify an officer, employee or agent of the issuer who is able to answer questions from purchasers or from staff of the securities regulator. Provide the following contact information for that individual:

- (a) full legal name;
- (b) position held with the issuer;
- (c) business address;
- (d) business telephone; and
- (e) business e-mail.

Item 3: Use of Available Funds

(1) **Available Funds** Using the following table, disclose the funds available to the issuer as a result of the offering.

		Assuming minimum offering	Assuming maximum offering
A.	Amount to be raised by this offering	\$	\$
B.	Selling commissions and fees	\$	\$
C.	Estimated offering costs (including legal and accounting.)	\$	\$
D.	Total Available funds: D = A - (B+C)	\$	\$

(2) **Use of Available Funds**

- (a) Using the table below, provide a detailed breakdown of how the issuer proposes to use the available funds. Provide enough detail to allow purchasers to make an informed investment decision.
- (b) If any of the available funds will be paid to a related party, disclose in the table below the name of the related party, the relationship to the issuer, and the amount.
- (c) If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of available funds listed in order of priority	Assuming minimum offering	Assuming maximum offering
	\$	\$
	\$	\$
Total: [Instruction: The total should equal D in the Available Funds table above]	\$	\$

(d) If the available funds may be reallocated, include the following statement in bold type:

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

Item 4: Business of the Issuer and Other Information and Transactions

(1) Structure Provide the following information about the organization of the issuer:

- (a) legal structure of the issuer (e.g., corporation, partnership, trust, or unincorporated sole proprietor);
- (b) the statute and jurisdiction under which the issuer is incorporated, continued or organized;
- (c) the date of incorporation, continuance or organization of the issuer; and
- (d) how a purchaser can view the issuer's organizational documents (e.g., articles of incorporation, partnership agreement or shareholder agreement).

(2) The Business Describe the material aspects of the issuer's business.

Guidance: The information provided must be balanced and fair and not misleading or untrue. It should not over-emphasize the positive and downplay the negative. If the issuer has future plans or goals but the reasonableness of those plans or goals cannot yet be appropriately analyzed or assessed or, given the stage of development of the business, there can be little or no assurance that the plans or goals are achievable, the risks associated with being able to achieve those plans or goals should be made clear.

Enough details should be provided so a purchaser can clearly understand the issuer's business, what it currently does and intends to do.

Information that may be important to purchasers includes the following:

- *Does or will the issuer build, design or develop something? Sell something produced by itself? By others? Provide a service?*
- *Does the issuer have business premises from which it can operate its business?*
- *How many employees does the issuer have? Need?*
- *Has the issuer entered any contracts that are important to its business?*
- *Are there factors that make the issuer's business different from its competitors?*
- *What milestones has the issuer already reached e.g., developed a prototype, signed a distribution agreement, leased premises, obtained a bank loan or other significant financing, generated sales, generated a profit?*
- *What milestones does the issuer hope to achieve in the next couple of years e.g., Complete testing? Find a manufacturer? Commence a marketing campaign? Buy inventory? What is the proposed timeline for achieving each of the milestones?*
- *What are the major hurdles that the issuer expects to face in achieving its milestones?*
- *If the issuer is offering shares or similar securities to purchasers, is there a long-term goal that would provide an "exit-opportunity" for purchasers e.g., the issuer hopes to eventually become a reporting issuer? Be bought out/taken over by a larger company?*

(NOTE: Unless certain conditions are met, it is a breach of securities laws to state that an issuer will be or will apply to be traded on an exchange or quoted on a quotation and trade reporting system.)

- (a) For a non-resource issuer, include a description of the principal products or services, operations, market, marketing plans and a discussion of the issuer's current and prospective competitors.
- (b) For a resource issuer, describe the principal properties (including interest held), the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed.

Guidance: Refer to National Instrument 43-101 Standards of Disclosure for Mineral Projects when disclosing scientific or technical information for a mineral project of the issuer. Refer to Part 4 and Part 5 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities for oil and gas issuers disclosing information about their oil and gas activities.

Note: Disclosure of oil and gas reserves or resources that is not consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook may be misleading.

- (c) If the issuer has any subsidiaries, affiliates, or related parties, and the relationships with those parties would be important to a purchaser in understanding the issuer's business, include an organizational chart and a description of the relationships between them.
- (d) An issuer that is a collective investment vehicle (as defined in the Order) must supplement the offering document with the information required by Schedule A *Additional Disclosure Requirements for an Issuer that is a Collective Investment Vehicle* to this form (**Schedule A**)

Guidance: An issuer cannot intend to use the proceeds of the distribution to invest in, merge with, amalgamate with or acquire a business, or to purchase securities of one or more other issuers unless the issuer has provided the disclosure specified by Item 4(3) or the issuer is a collective investment vehicle and has provided the supplementary disclosure required by Schedule A to this form.

(3) Material Investments – If at the time of the distribution the issuer (including an issuer that is a special purpose vehicle created to permit purchasers to invest together as a syndicate) has identified a person or company that a reasonable person would believe the likelihood is high that the issuer will direct by loan or investment, at least 50% of the aggregate gross proceeds raised by the issuer under the Order in the preceding 12 month period, the offering document must also provide the disclosure specified by Items 4, 5, 6(1), 6(2), 8 and 12 of this form for that other issuer, as if that other issuer were the issuer preparing the offering document.

(4) Material Contracts – For each contract that the issuer or a related party to the issuer is currently a party to, that is material to the issuer, the issuer must

- (a) disclose:
 - (i) the parties to the contract,
 - (ii) if the contract is with a related party, the relationship to the issuer,
 - (iii) the date of the contract, and

- (b) either
 - (i) disclose the material terms of the contract, or
 - (ii) provide prospective purchasers with reasonable access to the contract and include a statement with instructions on how the purchaser may obtain access to the contract.

(5) *Interests in real property*

- (a) If a material aspect of the issuer's business is the development or operation of real estate, and that real estate was acquired in the prior two years from a related party of the issuer, using the table below, disclose the following:

Date of acquisition by related party	Date of acquisition by issuer	Name of related party	Amount and form of consideration paid by related party

- (b) Explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the interest in real property.

Item 5: Directors and Management

- (1) ***Director and management experience*** Using the table below, provide the specified information for each director, officer, founder (as defined in the Order) and control person of the issuer. *[Instructions: Use notes to the table to indicate the date securities were acquired and the price paid for the securities.]*

Full legal name, municipality of residence, and position at issuer	Principal occupation for the last five years	Expertise, education, and experience that is relevant to the issuer's business	Number and type of securities of the issuer held after completion of minimum offering	Number and type of securities held after completion of maximum offering

- (2) ***Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters***

State whether the issuer or any director, officer, founder or control person of the issuer

- (a) has ever pled guilty to or been found guilty of
 - (i) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) (Canada),

- (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction, which includes offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) and the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or of a foreign jurisdiction,
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction,
- (b) is or has been the subject of an order (cease trade or otherwise), judgment, decree, sanction, or administrative penalty imposed by a government agency, administrative agency, self-regulatory organization, civil court, or administrative court of Canada or a foreign jurisdiction in the last 10 years related to his or her involvement in any type of business, securities, insurance or banking activity,
 - (c) is or has been the subject of a bankruptcy or insolvency proceeding, or
 - (d) is a director, officer, founder or control person of an issuer that is or has been subject to a proceeding described in (a), (b) or (c) above.

(3) Compensation to directors and officers

- (a) State the aggregate compensation paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the most recently completed financial year.
- (b) State the aggregate compensation anticipated to be paid by the issuer or a related party of the issuer to the directors and officers of the issuer, for services to the issuer, in the current financial year.

Item 6: Capital Structure

- (1) Outstanding Securities** Describe the number and type of securities of the issuer outstanding as at the date of the offering document (including short-term debt securities but excluding long-term debt securities disclosed in Item 6(2)). If there are securities outstanding other than the class of securities being offered, please describe those securities.
- (2) Long term debt** Using the table below, provide the specified information about outstanding debt of the issuer for which all or a portion is due, or may be outstanding, more than 12 months from the date of the offering document.

Instructions:

- (a) Add notes to the table to disclose any amounts of the debt that are due within 12 months of the date of the offering document.
- (b) Add notes to the table to describe any conversion terms.
- (c) If the securities being offered are debt securities add columns to the table disclosing the amount of the debt that will be outstanding after both the minimum and maximum offering.
- (d) If the debt is owed to a director, officer, or other related party, indicate that in a note to the table and provide the name and relationship of the related party.

Description of debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at a date not more than 30 days before the date of the offering document
			\$
			\$

(3) **Prior Sales** If the issuer has within the 12 months prior to the offering document issued any securities of the class being offered under the offering document (or convertible or exchangeable into the class being offered under the offering document), use the table below to provide the specified information.

Date securities issued	Number of securities issued	Price per security	Total funds received or, if applicable, description of asset or services received

Item 7: Details of the Offering

(1) **Terms of Offering and Securities Offered** Describe the material terms of the offering and the securities being offered, including:

- (a) price per security;
- (b) minimum investment required by a purchaser or state that there is no minimum investment;
- (c) minimum offering required to be raised and date by which it must be raised, which date cannot be later than 120 days after the date this offering document is first delivered to a purchaser;
- (d) maximum offering or state that there is no maximum;
- (e) anticipated closing date(s);
- (f) voting rights or restrictions on voting;
- (g) conversion or exercise price and date of expiry;
- (h) terms that provide a right to redeem or retract;
- (i) rights to participate in future financings; and
- (j) interest rate, and dividend or distribution policy.

Guidance: Only "eligible securities" as defined in the Order can be distributed under the Order. The minimum offering amount required to be disclosed in Item 7(1)(c) should reflect the minimum amount needed to be raised to accomplish the issuer's business goals as detailed in its disclosure of its proposed use of funds. The information required to address Items 7(1)(f) to 7(1)(j) is usually found in the organizing documents of the issuer referred to in Item 4(1).

(2) Superior Rights If any outstanding securities will be superior to those being offered, e.g., because of priority to dividends, priority in insolvency, greater voting rights or rights to participate in future financings or acquisitions, state that.

(3) Process for Subscribing

- (a) Describe the procedure for a purchaser to subscribe for the securities and how payment can be made.
- (b) State that the payment will be held in trust for the purchaser and the period that it will be held [*Instruction: The payment must be held in trust for at least the length of the purchaser's two day cancellation right described in Item 11.*]
- (c) Disclose any conditions that must be met prior to closing, including any receipt of additional funds from other sources.
- (d) State the date by which the minimum offering must be raised. [*Instruction: The date cannot be later than 120 days after the date this offering document is first delivered to a purchaser.*]
- (e) Disclose when funds will be returned to purchasers if the minimum offering is not reached.

Include the following statements in bold type:

If the minimum offering is not raised by [*Instruction: Insert date that is not more than 120 days after the date the offering document is first delivered to a purchaser*] **all funds will be returned to purchasers.**

Funds available following the offering may not be sufficient to accomplish the proposed objectives. [*Instruction: Delete if the available funds following the minimum offering will provide sufficient funds to accomplish all of the proposed objectives for the next 12 months.*]

(4) Commissions and Other Selling Compensation - If any person or company has or will receive any commission, corporate finance fee or finder's fee or any other similar compensation in connection with the offering, provide the following information:

- (a) the names of each person or company that will be selling the securities on behalf of the issue;
- (b) a description of each type of compensation and the estimated amount of each;
- (c) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and any maximum offering); and

- (d) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date).

Include the following statement in bold type:

No person or company other than a registrant is qualified to recommend that an investment in these securities is suitable for you.

(5) Income Tax Consequences and RRSP Eligibility

- (a) Include the following statement in bold type:

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

- (b) Provide advice regarding the registered retirement savings plan (RRSP) eligibility of the securities and the name of the person providing the advice or include the following statement in bold type:

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

Item 8: Risk Factors

- (1) Describe in order of importance**, starting with the most important, the main risks for purchasers in investing in the issuer's business.

Guidance: Risk factors will generally fall into the following 3 categories:

- (a) **Investment Risk** - risks that are specific to the securities being offered. Some examples include

- *the purchase price is arbitrary and there is no independent valuation,*
- *a purchaser may experience an immediate dilution of their investment because securities previously issued were issued for nominal consideration,*
- *resale restrictions,*
- *no market in which to resell the securities and no near term "exit strategy" for purchasers,*
- *for redeemable securities, conditions or restrictions on redemption,*
- *insufficient funds to pay dividends or interest or redeem securities,*
- *for debt securities being subordinate to other debt, and*
- *if the issuer is investing in other issuers, the risk to a purchaser in not having voting rights or rights to the assets of that other issuer.*

- (b) **Issuer Risk** - risks that are specific to the issuer. Some examples include

- *limited business experience of management,*
- *the need to raise more funds to accomplish the issuer's business objectives,*
- *no history or a limited history of revenue or profits,*
- *lack of specific technical expertise,*
- *dependence on key employees,*

- *reliance on key suppliers or customers,*
- *management's regulatory and business track record, and*
- *existing or threatened lawsuits.*

(c) **Industry Risk** - risks faced by the issuer because of the industry in which it operates. Some examples include

- *significant regulatory requirements or approvals required,*
- *environmental, health and safety issues,*
- *competition, including from more established businesses.*

The disclosure of risk factors must be fair and balanced and not misleading or untrue. Issuers may indicate how they hope to mitigate these risks, but should not deemphasize the risks by including excessive caveats or conditions.

Item 9: Reporting Obligations

- (1) If the issuer is required by the Order, corporate law, its constating documents (e.g., articles of incorporation or bylaws) or otherwise, to provide ongoing disclosure to purchasers e.g., annual financial statements or an information circular/proxy statements, state that fact.
- (2) If the issuer is not required to provide any documents to the purchasers on an annual or ongoing basis, include the following statement in bold type:

We are not required to provide you any disclosure on an annual or ongoing basis.

Guidance: The Order may require the issuer to provide annual financial statements to its purchasers. Further, corporate legislation in many jurisdictions requires issuers with more than a specified number of shareholders to prepare and disseminate audited annual financial statements. Further, such issuers may be required to hold annual meetings of shareholders and provide certain specified disclosure in an information circular. Refer to applicable corporate law.

Item 10: Resale Restrictions

- (1) Include the following statement in bold type:

The securities you are purchasing are subject to resale restrictions that will continue indefinitely. Unless the issuer becomes a reporting issuer (public company) the securities can only legally be resold to a very limited number of purchasers under a prospectus or under exemptions from the prospectus requirement. Even if they can be legally resold, you may not be able to identify a buyer. You may never be able to resell the securities.

Item 11: Purchasers' Rights

- (1) Include the following statements in bold type:

You have 2 business days to change your mind about this investment.

You also have a right to sue if there is a misrepresentation in the offering document. See below for further details.

Two-day cancellation right - If you agree to make an investment, you have a short period in which to change your mind, for any reason, and cancel your agreement. To do so, you must send a written notice to the issuer by not later than midnight on the 2nd business day after signing the agreement to purchase the securities.

Right of action in the event of a misrepresentation – If you invest and find that there is a misrepresentation in the offering document, including all amendments to that document, you have a statutory right to either (a) sue the issuer to cancel your agreement or (b) sue the issuer, its directors, and each person or company who has signed the offering document for damages.

This right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on these rights, you must do so within strict time limits. Consult a lawyer! If you intend to sue to cancel your agreement because of a misrepresentation you must start the lawsuit no more than 180 days from the day of the transaction giving rise to the cause of action. If you intend to sue for damages you must start the lawsuit within the earlier of (a) 180 days from the day of first having knowledge of the facts giving rise to the cause of action, and (b) 3 years from the day of the transaction giving rise to the cause of action.

Item 12: Financial Statements

- (1) If the issuer is not required to include financial statements with the offering document and none have been voluntarily included, state that fact.
- (2) If any financial statements have been included with the offering document and they are not audited, state that the financial statements are not audited.
- (3) If the financial statements have been subject to a review engagement report, do **not** include that report with the financial statements.
- (4) If the issuer is required under the Order to include financial statements with the offering document or voluntarily chooses to include financial statements in the offering document, the financial statements must
 - (a) comply with Schedule B *Financial Statement Instructions* to this form; and
 - (b) be included in the offering document, before the certificate required under Item 13.

Guidance: The Order may require the issuer to provide annual financial statements to its purchasers.

Item 13: Date and Certificate

Include the following statement in bold type on the certificate page of the offering document:

Dated: [*Instruction: insert the date the offering document is signed*].

This offering document does not contain a misrepresentation.

Guidance: The offering document must be signed by an individual authorized to sign on behalf of the issuer.

Schedule A

Additional Disclosure Requirements for an Issuer that is a Collective Investment Vehicle

to

Form 45-539F1 Small Business Offering Document

The information specified by this Schedule A to Form 45-539F1 Small Business Offering Document is required if the issuer is a collective investment vehicle.

Instructions

1. *Despite General Instruction(5) of the offering document, an issuer may choose where to integrate the disclosure specified by this Schedule A within the offering document.*
2. *Information specified by this Schedule A that is disclosed in the offering document in response to another provision of this form need not be repeated.*

Investment Objectives and Strategy

3. Describe the following:
 - (a) the issuer's investment objectives, investment strategy and investment criteria;
 - (b) any limitations or restrictions on investments, including concentration limits and use of leverage;
 - (c) how securities are identified, selected and approved for purchase or sale.

Portfolio Management

4. Identify the persons or companies responsible for the following:
 - (a) establishing and implementing the issuer's investment objectives and investment strategy;
 - (b) setting any limitations or restrictions on investments;
 - (c) monitoring the performance of the portfolio;
 - (d) making any adjustments to the issuer's portfolio.
5. Using the table below, for each person or company described in paragraph 4 that is not registered under the securities legislation of a jurisdiction of Canada, provide the specified information for that person or company for a company and each director and executive officer of the company,

Full legal name	Principal occupation for the 5 years preceding the date of the offering document and description of experience that is relevant to the issuer's business

Portfolio Summary

6. As at a date not more than 60 days before the date of the offering document, provide a description of the portfolio.

7. If a security comprises 10% or more of the issuer's net asset value, disclose the following with respect to the security:
 - (a) the percentage of net asset value represented;
 - (b) a description of the security;
 - (c) any security interest held against the security;
 - (d) the amount of any impairment assigned to the security.
8. Instructions to Paragraph 7
 - (a) "Net asset value" has the same meaning with respect to a collective investment vehicle as it does with respect to an investment fund in National Instrument 81-106 *Investment Fund Continuous Disclosure*.
 - (b) Calculate impairment in accordance with the accounting standards applicable to the issuer, and in a manner that is consistent with the disclosure in the issuer's financial statements.

Ongoing Disclosure

9. Describe any information that purchasers will receive on an ongoing basis about the issuer's portfolio. If none, state that fact.

Schedule B
Financial Statement Instructions
to
Form 45-539F1 Small Business Offering Document

The instructions in this Schedule B apply if the issuer is required to include financial statements in the offering document or is voluntarily providing financial statements.

General

1. National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards (NI 52-107)* requires that all financial statements included in an offering memorandum or document that is delivered to, or filed with a securities regulatory authority be prepared in accordance with Canadian generally accepted accounting principles (**GAAP**) applicable to publicly accountable enterprises. The Order provides an exemption from certain provisions of NI 52-107.
 - (a) An issuer preparing an offering document under the Order must prepare its financial statements either in accordance with
 - (i) section 3.2 of NI 52-107, or
 - (ii) Part II of the CPA Canada Handbook (the **handbook**), as amended from time to time applied to an issuer as if it were a private enterprise provided that the financial statements consolidate any subsidiaries of the issuer and account for any significantly influenced investees and joint ventures using the equity method (the **modified regulatory accounting principles**) and paragraphs 3 to 30 of this Schedule B.
 - (b) The financial statements (excluding interim financial statements) included in the offering document must either be
 - (i) audited in accordance with section 3.3 of NI 52-107, or
 - (ii) if they have not been audited, subject to a review in accordance with the standard for engagements to review historical financial statements, as specified in the handbook (a **review**) and prepared in accordance with paragraphs 3 to 30 of this Schedule B.
2. The issuer must include the following statements proximate to any financial statements:
 - (a) if prepared in accordance with the modified regulatory accounting principles:

“These financial statements are prepared in accordance with the modified regulatory accounting principles specified in [*name of exemption relied upon: Alberta Securities Commission Order 45-539 Small Business Financing or the Financial and Consumer Affairs Authority of Saskatchewan General Order 45-539 Small Business Financing*] and as such, [*name of issuer or other term used to refer to issuer*] rather than providing financial statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, is permitted to provide financial statements prepared in accordance with GAAP for private enterprises, provided that any subsidiaries are consolidated and accounted for using the equity method. The recognition, measurement and disclosure requirements of the modified regulatory

accounting principles differ from those of Canadian GAAP applicable to publicly accountable enterprises.”

(b) if subject to a review rather than an audit:

“These financial statements, are prepared in accordance with Order 45-539 *Small Business Financing* and as such, [name of issuer or other term used to refer to issuer] rather than providing audited annual financial statements, is permitted to provide annual financial statements that have been reviewed by a chartered professional accountant. A review of annual financial statements by a chartered professional accountant provides limited assurance and lacks the level of assurance for audited annual financial statements.”

(c) if audited by an audit firm that has not entered into a participation agreement with the Canadian Public Accountability Board:

“[Name of audit firm] audited the financial statements of [name of issuer or other term used to refer to issuer] for the year ended [state the period of the most recent financial statements included in the offering document] and issued an auditor’s report dated [state the date of the auditor’s report for the relevant financial statements]. As at [state the date of the auditor’s report for the relevant financial statements], [name of audit firm] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.”

Issuer Financial Statements

3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering document, include in the offering document financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for the period from inception to a date not more than 90 days before the date of the offering document;
 - (b) a balance sheet as at the end of the period referred to in subparagraph (a); and
 - (c) notes to the financial statements.
4. If the issuer has completed one or more financial years, include in the offering document annual financial statements of the issuer consisting of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for
 - (i) the most recently completed financial year that ended more than 120 days before the date of the offering document, and
 - (ii) the financial year immediately preceding the financial year in subparagraph (a)(i), if any
 - (b) a balance sheet as at the end of each of the periods referred to in subparagraph (a); and
 - (c) notes to the financial statements.
5. If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the income statement referred to in paragraph 4.

6. If the issuer has completed one or more financial years, include in the offering document interim financial statements of the issuer comprised of:
 - (a) an income statement, a statement of retained earnings and a cash flow statement for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering document, and
 - (ii) after the year-end date of the financial statements required under subparagraph 4(a);
 - (b) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any; and
 - (c) a balance sheet as at the end of the period required by subparagraph (a) and the end of the immediately preceding financial year.
7. If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the income statement referred to in paragraph 6.
8. An issuer is not required to include the comparative financial information for the period in subparagraph 4(a)(ii) in an offering document if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering document.
9. The term "interim period" has the meaning set out in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102).
10. The comparative financial information required under subparagraphs 6(b) and 6(c) may be omitted if the issuer has not previously prepared financial statements in accordance with its current or, if applicable, its previous GAAP.
11. (a) If any of the financial statements required by paragraphs 3, 4 or subparagraph 14(a) have been audited, the auditor's report must be included in the offering document.
 - (b) The financial statements required by paragraph 4 and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:
 - (i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review in accordance with Canadian Standard for Review Engagements (CSRE) 2400, *Engagements to Review Historical Financial Statements*;
 - (ii) the review report does not include a modified conclusion as defined in the Canadian Standard for Review Engagements (CSRE) 2400, *Engagements to Review Historical Financial Statements* (**modified conclusion**), and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement,
 - (B) is in the form specified by the standard for a review; and

- (C) refers to International Financial Reporting Standards (IFRS) or the modified regulatory accounting principles as the applicable financial reporting framework.
12. The financial statements required under paragraph 6 and the comparative financial information required by paragraph 4 may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering document.
13. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
14. If the distribution is ongoing, the issuer must do the following:
- (a) if the offering document does not contain annual financial statements for the issuer's most recently completed financial year, the issuer must do the following:
 - (i) amend the offering document to include the annual financial statements as soon as the issuer has approved the financial statements, but in any event no later than the 120th day following the financial year end;
 - (ii) present the offering document and the annual financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the financial year in subparagraph 4(a)(i) shall mean the issuer's most recently completed financial year;
 - (b) if the offering document does not contain interim financial statements for the issuer's most recently completed 6-month period, the issuer must do the following:
 - (i) amend the offering document to include the interim financial statements no later than the 60th day following the end of the period;
 - (ii) present the offering document and the interim financial statements in accordance with the instructions in paragraphs 1 to 24 and, for that purpose, the reference to the interim period in subparagraph 6(a) shall mean the issuer's most recently completed 6-month period.
15. If the issuer has included in its offering document interim financial statements for its most recently completed 9-month period, subparagraph 14(b) does not apply.

Financial Statements of Businesses Acquired or to be Acquired

16. If the issuer
- (a) has acquired a business during the past 2 years and the financial statements of the issuer included in the offering document do not include the results of the acquired business for 9 consecutive months, or
 - (b) is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high,
- include the financial statements specified in paragraph 19 for the business if either of the tests in paragraph 17 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

17. Include the financial statements specified in paragraph 19 for a business referred to in paragraph 16 if either:
- (a) the issuer's proportionate share of the consolidated assets of the business exceeds 100% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the acquisition date or, for a proposed acquisition, the date of the offering document; or
 - (b) the issuer's consolidated investments in and advances to the business as at the acquisition date or the proposed date of acquisition exceeds 100% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the date of acquisition or the date of the offering document for a proposed acquisition. For information about how to perform the investment test in this paragraph, please refer to subsections 8.3(4.1) and 8.3(4.2) of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.
18. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering document date, use the financial statements referred to in paragraph 3 to make the calculations in paragraph 17.
19. If under paragraph 17 you must include in the offering document financial statements for a business, the financial statements must include:
- (a) If the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering document
 - (i) an income statement, a statement of retained earnings and a cash flow statement
 - (A) for the period from inception to a date not more than 90 days before the date of the offering document, or
 - (B) if the date of acquisition precedes the ending date of the period referred to in subparagraph (A), for the period from inception to the acquisition date or a date not more than 45 days before the acquisition date,
 - (ii) a balance sheet dated as at the end of the period referred to in subparagraph (i), and
 - (iii) notes to the financial statements.
 - (b) If the business has completed one or more financial years include
 - (i) annual financial statements comprised of:
 - (A) an income statement, a statement of retained earnings and a cash flow statement for the following annual periods:
 - i. the most recently completed financial year that ended before the acquisition date and more than 120 days before the date of the offering document; and
 - ii. the financial year immediately preceding the most recently completed financial year specified in subparagraph i., if any,

- (B) a balance sheet as at the end of each of the periods specified in subparagraph (A),
- (C) notes to the financial statements, and
- (ii) an interim financial statement comprised of
 - (A) either
 - i. an income statement, a statement of retained earnings and a cash flow statement for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering document and ended after the date of the financial statements required under subparagraph (i)(A)i., and an an income statement, a statement of retained earnings and a cash flow statement for the 3 month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering document and ended after the date of the financial statements required under subparagraph (i)(A)i., or
 - ii. an income statement, a statement of retained earnings and a cash flow statement for the period from the first day after the financial year referred to in subparagraph (i) to a date before the acquisition date and after the period end in subparagraph (A)i.,
 - (B) an income statement, a statement of retained earnings and a cash flow statement for the corresponding period in the immediately preceding financial year, if any,
 - (C) a balance sheet as at the end of the period required by subparagraph (A) and the end of the immediately preceding financial year, and
 - (D) notes to the financial statements.

Refer to paragraph 9 for the meaning of "interim period".

- 20. (a) If any of the financial statements required by subparagraph 19(b)(i) have been audited, the auditor's report must be included in the offering document.
- (b) The financial statements required by subparagraph 19(b)(i) and the financial information contained in the offering document may be unaudited or derived from unaudited financial statements, provided that all of the following are satisfied:
 - (i) the relevant financial statements presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review;
 - (ii) the review report does not include a modified conclusion, and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
 - (B) is in the form specified by the standard for a review; and

(C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

The financial statements required under subparagraphs 19(a), 19(b)(ii) and the comparative financial information required by subparagraph 19(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering document.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

21. If the offering document does not contain financial statements for a business referred to in paragraph 16 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering document to include those financial statements when they are available, but in any event no later than the date 120 days following the year-end.
22. The term "business" should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:
 - (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition, and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.

Reporting issuers are reminded that an acquisition may constitute the acquisition of a business for securities legislation purposes, even if the acquired set of activities or assets does not meet the definition of a "business" for accounting purposes.

23. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be a reverse takeover, include financial statements for the legal subsidiary in the offering document. The legal parent is considered to be the business acquired. Paragraph 16 may also require financial statements of the legal parent.
24. An issuer satisfies the requirements in paragraph 19 if the issuer includes in the offering document the financial statements required in a business acquisition report under NI 51-102.

Financial Statement Exemptions

25. Notwithstanding the requirements in subclause 3.3(1)(a)(i) of NI 52-107, if an auditor's report accompanies financial statements of an issuer or a business contained in an offering document, it may express a qualification of opinion relating to inventory if
 - (a) the issuer includes in the offering document a balance sheet that is for a date that is after the date to which the qualification relates,
 - (b) the balance sheet referred to in subparagraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory, and

- (c) the issuer has not previously filed, or delivered financial statements for the same entity accompanied by an auditor's report for a prior year that expressed a qualification of opinion relating to inventory.
26. If an issuer has, or will account for a business referred to in paragraph 16 using the equity method, then financial statements for a business required by paragraphs 16 to 24 are not required to be included if the offering document includes disclosure for the periods for which financial statements are otherwise required under paragraphs 16 to 24 that:
- (a) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and
 - (b) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of profit or loss.
27. (a) The financial information referred to in paragraph 26 may be unaudited or be derived from unaudited financial statements, provided that all of the following are satisfied:
- (i) the relevant financial information presented, or from which financial information has been derived, for the most recently completed financial year have been subject to a review, and
 - (ii) the review report does not include a modified conclusion, and:
 - (A) identifies the financial statements that were subject to the review, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
 - (B) is in the form specified by the standard for a review; and
 - (C) refers to IFRS or the modified regulatory accounting principles as the applicable financial reporting framework.

All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

28. The financial information provided under paragraph 26 for any completed financial year that has not been audited need not be accompanied by the review report but the issuer must do both of the following:
- (a) provide disclosure to accompany the financial statements that the financial information presented has not been audited and is not derived from audited financial statements, and
 - (b) in respect of financial information, other than financial statements, provide disclosure proximate to that financial information that identifies the financial statements from which the financial information has been derived and indicates that neither the financial information nor the financial statements from which the financial information has been derived have been audited.
29. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering document if both of the following apply:

- (a) the acquisition is not of securities of another issuer, unless the vendor transferred the business to the other issuer and that other issuer
 - (i) was created for the sole purpose of facilitating the acquisition; and
 - (ii) other than assets or operations relating to the transferred business, has no
 - (A) substantial assets; or
 - (B) operating history; and
 - (b) the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements, and the following apply:
 - (i) the acquisition was not or will not be a reverse take-over, and
 - (ii) the following apply:
 - (A) the offering document includes an operating statement for the business or related businesses for each of the financial periods for which financial statements would, but for this section, be required under paragraph 19 prepared in accordance with subsection 3.11(5) of NI 52-107,
 - (B) the operating statement for the most recently completed financial period referred to in subparagraph 19(b)(i) is audited or subject to a review,
 - (C) the offering document includes a description of the property or properties and the interest acquired by the issuer,
 - (D) the offering document includes information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person or company who prepared the estimates,
 - (E) the offering document includes actual production volumes of the property for the most recently completed year, and
 - (F) the offering document includes estimated production volumes of the property for the first year reflected in the estimate disclosed under subparagraph (E).
30. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of an oil and gas property, are not required to be audited or subject to a review if during the 12 months preceding the acquisition date or the proposed acquisition date, the average daily production of the property is less than 20% of the average daily production of the seller for the same or similar periods and:
- (a) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an operating statement of the property that was audited or subject to a review,
 - (b) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records, and
 - (c) the offering document discloses

- (i) that the issuer was unable to obtain an operating statement that was audited or subject to a review,
- (ii) the reasons for that inability,
- (iii) the fact that the purchase agreement includes the representations and warranties referred to in subparagraph (ii), and
- (iv) that the results presented in the operating statements may have been materially different if the statements had been audited or subject to a review.