

**THE MANITOBA SECURITIES COMMISSION**  
**MSC RULE 2001-2F2**  
(Section 149.1, *The Securities Act*)

**NATIONAL INSTRUMENT 44-101**  
**SHORT FORM PROSPECTUS DISTRIBUTIONS**  
**FORM 44-101F2**  
**MD&A**

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**MD&A**

**INSTRUCTIONS**

*(1) MD&A is supplemental analysis and explanation that accompanies, but does not form part of, an issuer's financial statements. MD&A provides management with the opportunity to discuss an issuer's current financial results, position and future prospects. MD&A is intended to give a reader the ability to look at the issuer through the eyes of management by providing both a historical and prospective analysis of the business of the issuer. MD&A requires that management discuss the dynamics of the business and analyze the financial statements. Coupled with the financial statements, this information should enable readers to better assess the issuer's performance, position and future prospects.*

*(2) Focus the MD&A on material information about the financial condition of the issuer, as well as its operations, with particular emphasis on liquidity, capital resources and known material trends, commitments, events, risks or uncertainties that are reasonably expected to have a material effect on the issuer's business, financial condition or results of operations.*

*(3) In this Form, "capital resources" means indebtedness, share capital and any other financial arrangement, whether or not it is reflected on the balance sheet of an issuer, that can reasonably be considered to provide financial resources to the issuer.*

*(4) Issuers are not required to disclose information described in this Form if the information is not material. Materiality is a matter of judgement in particular circumstances and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. This concept of materiality is consistent with the financial reporting notion of materiality in the Handbook.*

*(5) If information required under this Form is disclosed in a note to an issuer's financial statements, the issuer may comply with the disclosure requirement by providing a cross-reference to the note in which the information appears.*

*(6) Focus the MD&A on the primary financial statements, even if the primary financial statements have been prepared using foreign GAAP.*

*(7) The nature of the disclosure required under this Form is intentionally general. This Form contains a minimum of specific instructions in order to allow, as well as encourage, issuers to discuss their businesses in the most appropriate manner and to tailor their comments to their individual circumstances. Issuers should avoid boilerplate.*

*(8) Staff of the CSA from time to time publishes MD&A guides and reports on MD&A and financial statement reviews. Issuers are encouraged to refer to this material.*

**Item 1: General**

(1) Provide an analysis of the issuer's financial condition, cash flows and results of operations in the most recently completed financial year, including a comparison against the previously completed financial year. Provide all information necessary to understand the analysis and comparison. Include

(a) an analysis and comparison over a period longer than two financial years if necessary to describe a trend;

(b) an analysis and comparison on the basis of each reportable operating segment or other part of the business, as well as on the issuer as a whole, if necessary to understand the analysis and comparison;

(c) factors internal to the issuer as well as external economic and industry factors affecting the issuer;

(d) an explanation of why changes have or have not occurred in the financial condition and results of operations of the issuer;

(e) the effect of discontinued operations; and

(f) major changes in the direction of the business.

**INSTRUCTION**

*(1) For purposes of paragraph (b), in making the determination whether an analysis and comparison on the basis of a reportable operating segment or other part of the business is required, give consideration to whether any part of the business has a disproportionate effect on revenues, profitability or cash needs; whether there are any legal or other restrictions on the free flow of funds from one part of the issuer's business to another;*

*and whether known trends, demands, commitments, events or uncertainties within a part of the business are reasonably likely to have a material effect on the business as a whole.*

*(2) For purposes of paragraph (c), in providing an explanation of causes affecting more than one item, an overall analysis is sufficient.*

*(3) Issuers need only include information that is reasonably available to the issuer and that does not clearly appear in the issuer's financial statements. Numerical data included in, or readily calculable from, the financial statements need not be repeated in the analysis and comparison. For example, if it is clear from the comparative financial statements what the amount of increase or decrease in revenues or the respective percentage change would be from the prior year, it is not necessary to include this information in the discussion since it is readily calculable. Nonetheless, showing these increases and decreases immediately before the discussion is often useful to readers.*

(2) Describe and quantify any events or items that have had a material impact on the issuer's financial condition, cash flows or results of operations during the issuer's fourth quarter of its most recently completed financial year, including extraordinary or infrequently occurring items, year-end and other adjustments and disposals of business segments.

#### INSTRUCTION

*Infrequently occurring items are those which do not have all of the characteristics of extraordinary items, as that term is defined by the Handbook, but result from transactions or events that are not expected to occur frequently over several years or are not typical of the issuer's normal business activities.*

(3) Disclose information on risks and uncertainties facing the issuer necessary to understand the issuer's financial condition, changes in financial condition and results of operations.

(4) Provide an analysis of the risks, events and uncertainties that could cause reported financial information to not necessarily be indicative of future operating results or of future financial position. Include both qualitative and quantitative descriptions of factors that

(a) could have an effect on future operations or financial position and have not had an effect in the past; and

(b) have had an effect on reported operations or financial position, and are not expected to have an effect in the future.

(5) Describe any changes in the accounting policies of the issuer adopted subsequent to its most recent financial year end or any changes in its accounting policies that are expected to be adopted by the issuer, including those resulting from a change in an accounting standard,

or the issuance of a new accounting standard, that does not require adoption until some future date. Disclose the estimated effect on the financial statements of the implementation of any changes in the accounting policies described.

(6) If not already disclosed in the issuer's financial statements, provide

(a) a discussion of the nature and extent of the issuer's use of financial instruments and the business purposes that they serve;

(b) an analysis of the risks associated with the issuer's financial instruments;

(c) an analysis of management's policies for controlling the risks associated with the issuer's financial instruments, including an analysis of, if applicable, the issuer's policies for the hedging of risk exposures, the avoidance of undue concentrations of risk and any requirements for collateral to mitigate credit risks, and, if the issuer has no policies for controlling the risks associated with the issuer's financial instruments, a statement indicating that the issuer does not have any such policies;

(d) a discussion of the relationships between financial instruments and the components of individual financial instruments that may affect the amount, timing or certainty of cash flows;

(e) disclosure of significant accounting policies for financial instruments, including a description of how each class of financial instrument is reported in the financial statements, the policies for recognition and measurement of financial instruments, and the financial statement classification of gains and losses; and

(f) significant assumptions made in determining the fair value of financial instruments, the total amount of the change in fair value of financial instruments recognized in income for the period, and the total amount of deferred or unrecognized gains and losses on financial instruments.

#### INSTRUCTION

*(1) The discussion required under paragraph (a) should be designed to enhance a reader's understanding of the significance of recognized and unrecognized financial instruments on the issuer's financial position, results and cash flows. The information should also be designed to assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments.*

*(2) For purposes of paragraph (c), if the issuer is exposed to significant price, credit or liquidity risks, consideration should be given to providing a sensitivity analysis or tabular information that assists readers in assessing the degree of exposure. For*

*example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing the issuer's exposure to price risk.*

*(3) A discussion of the existence and terms of master netting agreements and the relationship between liability and equity components of convertible debt instruments would be appropriate for purposes of paragraph (d).*

(7) If a decision to proceed with a transaction has been made by an issuer's board of directors, or by senior management with the expectation of concurrence from the board of directors, and the transaction involves an asset acquisition or disposition or an acquisition or disposition of a business, whether structured as an asset or share transaction, discuss the transaction and its anticipated effect as part of MD&A. Disclosure is not required if the issuer has made a confidential filing under the continuous disclosure provisions of securities legislation.

## **Item 2: Quarterly Information**

(1) Subject to paragraphs (2) and (3), for each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs 1, 2 and 3 of Item 5.1 of the AIF.

(2) For an issuer that has not been a reporting issuer for the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs 1, 2 and 3 of Item 5.1 of the AIF for the period that the issuer was not a reporting issuer only if the issuer has prepared quarterly financial statements for that period.

(3) If the issuer is only required to file six month interim financial statements, the information required under paragraph (1) may instead be provided for each of the four most recently completed six month periods ended at the end of the most recently completed financial year.

## **Item 3: Liquidity and Capital Resources**

(1) With respect to the issuer's liquidity,

(a) discuss the ability of the issuer to generate adequate amounts of cash and cash equivalents, in the short term and the long term, when needed and to maintain capacity to provide for planned growth;

- (b) identify any known trends or expected fluctuations in the issuer's liquidity, taking into account known demands, commitments, events or uncertainties; if a deficiency is identified, indicate the course of action that has been taken or is proposed to be taken to remedy the deficiency;
- (c) describe those balance sheet conditions or income or cash flow items that the issuer believes may be indicators of its liquidity;
- (d) describe generally the requirements relating to working capital;
- (e) disclose the nature and extent of legal or practical restrictions on the ability of subsidiaries to transfer funds to the issuer and the effect that these restrictions have had or are expected to have on the ability of the issuer to meet its obligations; and
- (f) if the issuer is in arrears in the payment of dividends, interest or principal payment on borrowings, disclose this fact and provide details; if the issuer is in default on any debt covenants or was in default during the most recently completed financial year, disclose information concerning the default and the method or anticipated method of curing the default; if the issuer is unable to make required redemptions or retractions or sinking fund payments, disclose this information and provide details; and if the issuer anticipates being, in the current financial year, in any of the circumstances described in this paragraph, disclose this information and provide details.

## INSTRUCTION

*Examples of the disclosure required under paragraph (d) include situations where significant quantities of inventory are required to be carried to meet rapid delivery requirements of customers or where extended payment terms have been provided to customers or furnished by suppliers.*

- (2) With respect to the issuer's capital resources,
  - (a) describe and quantify commitments for capital expenditures as of the end of the most recently completed financial year, indicate the general purpose of these commitments and the anticipated source of funds needed to fulfil these commitments, and quantify expenditures that are necessary but not yet committed to meet plans discussed under MD&A or elsewhere in the AIF;
  - (b) describe any known trends, favourable or unfavourable, in the issuer's capital resources, indicating any expected changes in the mix and relative cost of these resources; and
  - (c) briefly discuss sources of financing that have been arranged but not yet utilized.

## INSTRUCTION

*Discussions of liquidity and capital resources may be combined if this facilitates the discussion.*

### **Item 4: Results of Operations**

(1) Describe any unusual or infrequent events or transactions and any significant economic changes that in each case materially affect income or loss from continuing operations and the extent to which income or loss from continuing operations is affected. Also disclose any other significant components of revenue or expense necessary to understand the results of operations.

(2) Describe any known trends or uncertainties that have had or that the issuer reasonably expects will have a favourable or unfavourable effect on net sales or revenues or income or loss from continuing operations. If the issuer knows of factors that are expected to cause a change in the relationship between costs and revenues, disclose the expected change in the relationship and the cause.

## INSTRUCTION

*Examples of such events include known future changes in costs of labour or materials or price changes or inventory adjustments.*

(3) Provide a discussion of the extent to which any changes in net sales or revenues are attributable to changes in selling prices, to changes in the volume or quantity of goods or services being sold, or to the introduction of new products or services.

(4) Discuss briefly any effect of inflation and specific price changes on the issuer's net sales and revenues and on income or loss from continuing operations. For purposes of the discussion, no specific numerical financial data need be presented.

(5) If the issuer's business is still in the development stage, include the analysis of the issuer's results of operation a discussion of the issuer's material expenditures.