Continuous Disclosure Special Topics II
MD&A Cash Flow Disclosure Examples

Liquidity and Changes in Cash Flows Example of Boilerplate Disclosure

Repetition of information from financial statements

Underlying reasons for the changes absent

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

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

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

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Liquidity and Changes in Cash Flows
Example of Entity-Specific Disclosure

Reasons behind operating cash flows changes

How would management deal with issue

Impact on future investing cash flows

Impact on future financing cash flows

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

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

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Liquidity and Cash Burn Rate
Example of Boilerplate Disclosure

No analysis of burn rate

During the three months ended March 31, 2012, cash flow used in operating activities was $656.

No explanation of why sufficient

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

Liquidity and Cash Burn Rate
Example of Entity-specific Disclosure

Current burn rate and trend

Plan responding to burn rate

During the three months ended March 31, 2012, cash flow used in operating activities was $656. During the period from January 1, 2012 to March 31, 2012, the company's average monthly cash burn rate was $198. 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, mainly as a result of an increase in marketing expenditures. Management believes the cash and cash equivalents balance of $3,253 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.

Fluctuations in Non-Cash Working Capital
Example of Boilerplate Disclosure

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Repetition of information from financial statements

For the year ended December 31, 2012, the net increase in non-cash working capital was $8 million when compared to the same period in 2011. The main reason for the increase was a decrease in accounts receivable of $12 million net of a decrease in accounts payable of $4 million.

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Fluctuations in Non-Cash Working Capital Example of Entity-specific Disclosure

Reasons behind non-cash working capital changes

Reasons behind non-cash working capital changes

For the year ended December 31, 2012, the net increase in non-cash working capital was $8 million when compared to the same period in 2011. The main reason for the increase was a decrease in accounts receivable of $12 million resulting from the change in credit terms provided to our largest customer effective May 1, 2012 from 30 days to 25 days. The increase was offset by a decrease in accounts payable of $4 million resulting from the repayment of a $3.5 million payable from a large equipment purchase that remained outstanding at the end of the prior year.

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Debt Covenants
Example of Boilerplate Disclosure

Breach after year end not disclosed

The amount available for borrowing under the facility is subject to certain financial and restrictive covenants as defined under the credit facility agreement. As of December 31, 2012, the company was not in breach of these covenants.

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Debt Covenants
Example of Entity-specific Disclosure

Covenants and restrictions

The amount available for borrowing under the Facility is subject to certain financial and restrictive covenants. These include: (1) a Debt-to-Equity Ratio of not more than 0.50; (2) Accounts Receivable Turnover of not less than 10 times in any 12 month-period; and (3) Annual Maximum Capital Expenditure of $5.0 million.

Breach

Potential of future breach

As of and during the year of December 31, 2012, the company was not in breach of these covenants. However, as of January 31, 2013, the company's Debt-To-Equity Ratio was at 0.53, temporarily exceeding the maximum stipulated under the Facility. It decreased back to 0.44 as of February 29, 2013, and as of the date of this MD&A, the company continued to be in compliance with all covenants. The high Debt-To-Equity Ratio as of January 31, 2013 was a result of the strike as mentioned under Discussion of Operations. Management believes the company will comply with all covenants in the foreseeable future.

Commitments for Expenditures Example of Boilerplate Disclosure

Contractual Obligations Table at December 31, 2012

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*	*-*	*-*

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Commitments for Expenditures
Example of Entity-specific Disclosure (1)

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 in research funding and milestones payments, of which $500 is to be paid over the next 5 years at $100 per year upon the completion of the activities stipulated in the agreement, and the remainder is to be paid in three instalments of $700, $400, and $400 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.

Commitments for Expenditures
Example of Entity-specific Disclosure (2)

Committed expenditures

The Company has contractual obligations/commitments pursuant to various exploration and corporate agreements as follows:

[Contractual Obligation Table]

Other Commitments in the table relate to various operational and administrative purchases including a consulting agreement for accounting services costing up to $100,000 per year.

In addition to the contractual commitments noted above, the Company's current exploration program for the Property is expected to be completed within 24 – 30 months. Currently, the Company has 2 main milestones to be completed. The first is the completion of a drilling program which will allow for the completion of the initial resource estimate. The Company expects to complete this stage

Commitments for Expenditures Example of Entity-specific Disclosure (2) cont'd

within 14 months at a cost of approximately $20 million. Depending on the results garnered from the initial milestone, the Company's second milestone is the completion of a preliminary economic assessment. The Company anticipates completion of this stage within a period of 12 months. At this time a cost has not been fully determined, however we anticipate the cost to range between $5-10 million.

Financing plans

Given the Company is currently not generating revenues from its operations and as at December 31, 2012 the Company's cash position is $10, the Company is currently in the process of finalizing a private placement to ensure sufficient cash in order to meet its contractual obligations for at least the next 12 months.