

POLICY 2.4

CAPITAL POOL COMPANIES

Scope of Policy

This Policy applies to those issuers that propose to list on the Exchange as a capital pool company (a “CPC”). The Exchange’s program was designed as a corporate finance vehicle to provide businesses with an opportunity to obtain financing earlier in their development than might be possible with a regular initial public offering (“IPO”). The CPC program permits an IPO to be conducted and an Exchange listing to be achieved by a newly created company which, other than cash, has no assets and has no business or operations. The CPC then uses this pool of funds to identify and evaluate assets or businesses which, when acquired, qualify the CPC for listing as a regular Tier 1 or Tier 2 Issuer on the Exchange (a “Qualifying Transaction”).

This policy outlines the procedures for listing a CPC on the Exchange and the procedures to be followed and standards to be applied when a CPC undertakes a Qualifying Transaction.

The main headings in this Policy are:

1. Definitions
2. Overview of Process
3. Minimum Listing Requirements for CPCs
4. Disclosure Required in a CPC Prospectus
5. Agents
6. Agent’s Option
7. Options to Related Parties of the CPC
8. Prohibited Payments and Use of Proceeds
9. Restrictions on Trading
10. Private Placements for Cash
11. Escrow
12. Qualifying Transaction
13. Information Circular
14. Other Requirements

1. Definitions

1.1 In this Policy:

“**Agent**” means any Member registered under applicable Securities Laws to act as an agent to offer and sell the IPO Shares on behalf of the CPC who has entered into a best efforts agency agreement with the CPC.

“Agreement in Principle” means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction, and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange Acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Related Parties to the CPC or the Related Parties to the Qualifying Transaction.

“Agent’s Option” means the option to purchase common shares of the CPC which can be granted to the Agent in accordance with section 6 of this Policy.

“Commissions” refers to the Securities Commission(s) with which the CPC Prospectus is filed.

“common shares” means single voting common shares or class “A” shares of an Issuer .

“CPC” means a Company:

- (a) that has filed and received a receipt for a preliminary CPC Prospectus from one or more of the Commissions in compliance with this Policy; and
- (b) in regard to which the Completion of the Qualifying Transaction has not yet occurred.

“Completion of the Qualifying Transaction” means the date of the shareholders’ meeting at which the proposed Qualifying Transaction was approved by shareholders provided that:

- (a) all post-meeting documentation is subsequently filed with the Exchange; and
- (b) the Final Exchange Notice is issued by the Exchange.

“CPC Information Circular” means the Information Circular of the CPC describing the terms of the CPC’s Qualifying Transaction and seeking Majority of the Minority Approval of the Qualifying Transaction prepared in accordance with applicable Securities Laws and the Exchange Form of Information Circular (Form 3A).

“CPC Prospectus” means a preliminary prospectus or a final prospectus prepared in accordance with applicable Securities Laws and this Policy and filed with the Exchange and one or more of the Commissions by a CPC.

“Discount Seed Shares” means any Seed Shares which are issued at a price that is less than the price at which the IPO Shares are offered and sold to the public.

“Discount Seed Share Escrow Agreement” means an escrow agreement in Form 2F as modified by Schedule B(2) which provides generally, that initial releases from escrow commence on the date of the Final Exchange Notice and which provides that in the event an Exchange Notice is issued delisting the CPC, all Discount Seed Shares held by Insiders, or trusts or holding companies controlled by Insiders, shall be forfeited and cancelled.

“Final Exchange Notice” means the Exchange Notice (or Bulletin) issued following closing of the Qualifying Transaction and the submission of all post-meeting documentation which evidences the Exchange’s final acceptance of the Qualifying Transaction.

“IPO” means the initial public offering of common shares of the CPC conducted by the Agent pursuant to the CPC Prospectus.

“IPO Shares” means the common shares offered pursuant to the IPO.

“Majority of the Minority Approval” means a vote at a properly constituted meeting of the common shareholders of the CPC which vote must be passed by at least 50 percent plus one vote of the votes cast by shareholders, other than Related Parties of the CPC and Related Parties of the Qualifying Transaction.

“Principals” has the meaning set out in Policy 5.4 - Escrow and Vendor Consideration.

“Qualifying Transaction” means a transaction where a CPC:

- (a) issues or proposes to issue, in consideration for the acquisition of Significant Assets, common shares or securities convertible, exchangeable or exercisable into common shares which, if fully converted, exchanged or exercised would represent more than 25 percent of its common shares issued and outstanding immediately prior to the issuance;
- (b) enters into an arrangement, amalgamation, merger or reorganization with another Company with Significant Assets, whereby the ratio of securities which are distributed to the shareholders of the CPC and the other Company results in the shareholders of the other Company acquiring control of the Resulting Issuer; or

(c) otherwise acquires Significant Assets (other than cash),

but excludes a transaction which consists solely of the issuance for cash by the CPC of common shares or securities convertible, exchangeable or exercisable into common shares, representing more than 25 percent of the CPC's common shares issued and outstanding immediately prior to the issuance.

“Related Parties to the Qualifying Transaction” means the Seller(s), any Target Issuer(s), the Related Parties of the Seller(s), the Related Parties of any Target Issuer(s) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

“Resulting Issuer” means the Issuer that was formerly a CPC that exists upon issuance of the Final Exchange Notice.

“Seed Shares” means any common shares issued by a CPC before the closing of the IPO and includes the Discount Seed Shares.

“Seed Share Escrow Agreement” means an escrow agreement in Form 2F as modified by Schedule B(1) which provides generally, that initial releases from escrow commence on the date of the Final Exchange Notice, and which provides that in the event an Exchange Notice is issued delisting the CPC, all Seed Shares shall be forfeited and cancelled ten years after the Notice date.

“Sellers” means one or all of the beneficial owners, other than a Target Issuer, of the Significant Assets which are to be purchased, optioned or otherwise acquired by the CPC as its Qualifying Transaction.

“Significant Assets” means one or more assets or businesses which, when acquired by the CPC, together with any other concurrent transactions, results in the CPC meeting the Minimum Listing Requirements under Policy 2.1 - Minimum Listing Requirements.

“Target Issuer” means a Company which is the beneficial owner of the Significant Assets to be acquired by the CPC as its Qualifying Transaction, where the acquisition is to be conducted through the purchase of securities of that Company, whether by security purchase agreement, take-over bid, amalgamation, plan of arrangement or other corporate reorganization.

2. Overview of Process

2.1 General Matters

The CPC program involves a two-stage process. The first stage involves the filing and clearing of a CPC Prospectus, the completion of the IPO and the listing of the CPC's common shares on the Exchange. The second stage involves the identification of a business or asset that can be acquired as a Qualifying Transaction, the preparation and filing with the Exchange of a comprehensive CPC Information Circular containing prospectus level disclosure of the Qualifying Transaction and the holding of a shareholders' meeting to get approval to close the Qualifying Transaction.

2.2 Stage One – CPC Prospectus and Exchange Listing

- (a) The CPC program is not available in all jurisdictions; therefore, Issuers must consult the appropriate Securities Laws to determine whether a receipt may be issued for a CPC prospectus in each jurisdiction in which the CPC Prospectus is filed. Each of the Commissions retains discretion to determine whether or not to issue a receipt for the CPC Prospectus.
- (b) The preliminary CPC Prospectus and all supporting documents required by Securities Laws must be filed concurrently with the Exchange and with the Commissions, in those jurisdictions where a Distribution is made. Concurrently, with the filing of the preliminary CPC Prospectus, the CPC should also make application to the Exchange for conditional acceptance of the listing of the CPC. *See Policy 2.3 - Listing Procedures.*
- (c) Where the IPO will be conducted in one province only, the CPC Prospectus must be filed with the regional office of the Exchange in the jurisdiction where the IPO is conducted where such an Exchange office exists. If the IPO is conducted in a region with no corresponding Exchange regional office, the filer may choose the office that it wishes to vet the CPC prospectus. If the IPO is conducted in more than one jurisdiction, the CPC Prospectus should be filed with the regional office of the Exchange corresponding to the principal jurisdiction or principal regulator pursuant to National Policy 1 or National Policy 43-201 Mutual Reliance Review System for Prospectuses and AIFs.
- (d) A CPC is required to retain a Sponsor. *See Policy 2.2 - Sponsorship and Sponsorship Requirements.* The Sponsor in connection with the initial listing is the Member that is acting as Agent.
- (e) The Exchange will issue comments in regard to the CPC Prospectus and the Listing Application. When the CPC has satisfactorily resolved all comments of the Exchange and the Exchange has received a preliminary Sponsor Report confirming that the majority of the due diligence is completed, the Listing Application is presented to the Exchange's Listing Committee for consideration. If the application is conditionally accepted, the CPC is soon after invited to file its final Prospectus and all supporting documents with both the Exchange and the Commission(s). The final version of the Sponsor Report must be filed with the Exchange in connection with the filing of the final Prospectus.
- (f) After each applicable Commission has issued a final receipt for the CPC Prospectus, the CPC proceeds to offer the IPO Shares and close the IPO. After the closing, final listing documentation as required under Policy 2.3 - Listing Procedures is filed with the Exchange. If all listing documentation filed is satisfactory, the Exchange issues an Exchange Notice evidencing its final acceptance of the documents and indicating that the CPC's IPO Shares will commence trading on the Exchange in two trading days. On the date specified in the Exchange Notice, the shares will commence trading on Tier 2 of the Exchange with the designation "C" beside the stock symbol to indicate that the Issuer is a CPC.

2.3 Stage Two – Completion of a Qualifying Transaction

- (a) The second stage of the CPC program begins when the CPC has identified and negotiated an Agreement in Principle to acquire the Significant Assets that form the basis for its Qualifying Transaction. As soon as the CPC reaches an Agreement in Principle, it must issue a comprehensive news release as described in section 12.2 of this Policy and file a material change report. When the CPC anticipates that it will shortly be issuing a news release, it must immediately send a copy of the draft news release to the Corporate Finance Department of the Exchange for review.
- (b) Trading in the common shares of the CPC will be halted upon announcement of the Agreement in Principle. Trading will remain halted until each of the following have occurred:
 - (i) the Exchange has received a Sponsorship Acknowledgement Form (Appendix 2A) from the Member retained as Sponsor in connection with the Qualifying Transaction which confirms that the Sponsor has agreed to act as Sponsor, subject to satisfactory completion of its full due diligence and indicating that the Sponsor has conducted certain specified preliminary due diligence (The Sponsor may be the same Member who acted as Sponsor of the IPO but does not need to be.);
 - (ii) a Personal Information Form (Form 2A) has been received for each Person who will be a director, senior officer, Promoter (including as defined in Policy 3.4 - Investor Relations, Promotional and Market-Making Activities) and other Insider of the Resulting Issuer;
 - (iii) a pre-filing conference as contemplated by Policy 2.7 - Pre-Filing Conferences has been held; and
 - (iv) the Exchange has completed any preliminary background searches it considers necessary or advisable.
- (c) The CPC has 60 days from the announcement of the Agreement in Principle to make the initial submission required by section 12.3 of this Policy. The primary document in the initial submission is the CPC Information Circular that is required to contain prospectus level disclosure of the Qualifying Transaction. The Exchange reviews the CPC Information Circular and the supporting documents and advises of any comments. When all comments have been satisfactorily resolved and the Exchange has received a preliminary Sponsor Report, the application is presented to the Exchange's Listings Committee for consideration. If the application is conditionally accepted, the CPC will shortly after be invited to file the pre-meeting documentation described in section 12.4 of this Policy with the Exchange.
- (d) Provided that the documentation is satisfactory, the CPC is cleared to mail the CPC Information Circular to shareholders. Concurrently with mailing the CPC Information Circular to shareholders, the CPC should file the CPC Information Circular with the Exchange and Commission(s).

- (e) The CPC then holds the shareholders' meeting at which the minority shareholders are asked to approve the proposed Qualifying Transaction by a Majority of the Minority and to approve any other related matters. If the shareholders approve the Qualifying Transaction, the CPC then proceeds to close the Qualifying Transaction and acquire the Significant Assets. After closing of the Qualifying Transaction and generally with 45 days of the shareholders' meeting, the CPC is required to file with the Exchange all final documentation as indicated in section 12.5 of this Policy, including the final Sponsor Report.
- (f) Provided that the final documentation is satisfactory, the Exchange issues the Final Exchange Notice that evidences final Exchange Acceptance and confirms Completion of the Qualifying Transaction. The Final Exchange Notice also indicates that the Resulting Issuer will not be considered a CPC, will not trade with the designation "C" and will commence trading in two trading days under any new name and any new stock symbol.

2.4 Availability of the CPC Program

The CPC program is not intended to be used where the proposed CPC issuer has reached an Agreement in Principle. Where the board of directors of the CPC have a "meeting of minds" with the other parties to a Qualifying Transaction on all terms and no material conditions exist, the satisfaction of which is outside the control of the CPC (such as completion of a financing, maturation of a business, development of assets or approval of a third party), and where no significant due diligence matters remain unresolved, it would be reasonable to conclude that either an agreement has been reached or there is virtual certainty that an agreement will be reached. In such cases, the Exchange considers that an Agreement in Principle has been reached and the parties should seek an alternative method of going public.

2.5 Related Party Qualifying Transactions

- (a) Regulatory concern arises where the same party or parties control the CPC and the Significant Assets which may be the subject of the Qualifying Transaction (a "Related Party Qualifying Transaction"). Although a formal agreement will not have been entered into, concern arises that the related party is nevertheless virtually certain of reaching an agreement and that therefore an Agreement in Principle may exist.
- (b) In order to alleviate the regulatory concerns, the CPC should take steps to introduce an independent element into the negotiations to help establish that an Agreement in Principle has not been reached. Where a CPC is contemplating a Related Party Qualifying Transaction but has at least two independent directors, neither of whom are Related Parties to the Qualifying Transaction and where consummation of an Agreement in Principle requires the prior assessment or consent of those independent directors, the Exchange will generally conclude that an agreement has not been reached and there is no virtual certainty that one will exist and that therefore there is not yet an Agreement in Principle.

- (c) Where proposed CPCs or their Sponsors are uncertain about the availability of the CPC program, the Exchange encourages them to schedule a pre-filing conference to discuss the issue. *See Policy 2.7 - Pre-Filing Conferences.*

3. Minimum Listing Requirements for CPCs

3.1 Restrictions on Business of a CPC

The only business permitted to be undertaken by a CPC is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Until the Completion of the Qualifying Transaction, a CPC must not carry on any business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction.

3.2 Listing Requirements

The following minimum listing requirements must be satisfied to be listed with the Exchange as a CPC and to maintain that listing:

- (a) At the time of listing and until Completion of the Qualifying Transaction, the directors and senior officers of the CPC must be either:
 - (i) Canadian residents; or
 - (ii) individuals who have a demonstrated positive association with Canadian or U.S. public companies.
- (b) The minimum price per share at which the Discount Seed Shares may be issued is the greater of \$0.075 and 50% of the price at which the IPO Shares are sold.
- (c) The minimum total amount of seed capital raised by the CPC through the issuance of the Seed Shares must be equal to or greater than \$100,000 and must be contributed by directors and officers of the CPC or trusts or holding companies controlled by them. Seed Share subscriptions by others will only be permitted after the initial \$100,000 has been contributed by directors and officers.
- (d) The minimum price at which the IPO Shares may be issued is \$0.15. Only a single class of common shares may be issued as Seed Shares and pursuant to the Issuer's CPC Prospectus. The maximum price per share for the IPO Shares is \$0.30.
- (e) Companies cannot hold Seed Shares unless the name of each individual who directly or indirectly beneficially owns, controls or directs these securities is disclosed to the Exchange. If the beneficial owner of these securities is not an individual, the name of the individual or individuals beneficially owning, controlling or directing the Company or Companies that hold the securities of the CPC must be disclosed.

- (f) At the time of listing and until Completion of the Qualifying Transaction, neither the CPC nor any other party on behalf of the CPC will have engaged or will engage the services of any Person to provide investor relations, promotional or market-making services.
- (g) The gross proceeds to the treasury of the CPC from its IPO must be equal to or greater than \$200,000 and must not exceed \$500,000.
- (h) The maximum aggregate gross proceeds to the treasury of the CPC from the issuance of IPO Shares and all Seed Shares must not exceed \$700,000.
- (i) The CPC must have at least 1,000,000 of its issued and outstanding common shares in the Public Float upon completion of the IPO.
- (j) Except to the extent specifically modified by this Policy, the CPC must be in compliance with Policy 3.1 - Directors, Officers and Corporate Governance. Each proposed director and officer must meet the minimum suitability requirements under Policy 3.1 and the board of directors of the CPC as a whole must have the public company experience required by Policy 3.1.
- (k) At least 300 of the CPC's common shareholders, excluding Related Parties of the CPC, must beneficially own at least a Board Lot free of any Resale Restrictions upon completion of the IPO.
- (l) The maximum number of common shares which may be directly or indirectly purchased by any one purchaser on the IPO will be 2% of the IPO Shares.
- (m) Notwithstanding section 3.2(l) above, the maximum number of common shares that may be directly or indirectly purchased by any purchaser, together with that purchaser's Associates and Affiliates, is 4% of the IPO Shares.
- (n) The only securities that may be issued and outstanding are Seed Shares, Discount Seed Shares, stock options as permitted by section 7 of this Policy and the Agent's Option.
- (o) The ownership of Seed Shares and IPO Shares by the Sponsor and its Associates or Affiliates and by the Pro Group, must be in compliance with section 14(9) of this Policy.

3.3 Listing Documents

Except as modified by this Policy, a Company seeking a listing as a CPC must file:

- (a) with the Exchange and the Commissions, all documentation required to be filed in connection with a Prospectus under applicable Securities Law;
- (b) with the Exchange, all documentation required to be filed for a Listing Application under Policy 2.3 - Listing Procedures; and

- (c) for each proposed director and senior officer of the CPC, copies of financial statements of other issuers with which the individuals have previously been involved.

4. Disclosure Required in a CPC Prospectus

- 4.1 A CPC Prospectus must provide full true and plain disclosure of all material facts relating to the securities offered under the CPC Prospectus. It must be prepared in accordance with applicable Securities Law, as supplemented by this Policy.
- 4.2 A CPC Prospectus must include disclosure:
 - (a) on both on the cover page and in the body under the heading “Risk Factors”, that:
 - (i) the CPC does not have business operations or assets other than cash;
 - (ii) the CPC has not entered into an Agreement in Principle; and
 - (iii) the offering is suitable only for those investors who are willing to rely solely on the management of the CPC and who can afford to lose all of their investment;
 - (b) describing the shareholder approval process for the Qualifying Transaction including that the shareholders will receive an Information Circular for the meeting that will include full, true and plain disclosure of all material facts assuming Completion of the Qualifying Transaction, and that the shareholders will also be entitled to attend a meeting at which management of the CPC will seek Majority of the Minority Approval of the Qualifying Transaction;
 - (c) of the restrictions on payments to Related Parties of the CPC as provided in section 8 of this Policy; and
 - (d) of the type of business opportunities that the CPC is likely to pursue.
- 4.3 If a CPC intends to enter into a specific proposed Qualifying Transaction that is not yet at the stage of an Agreement in Principle, but is at the stage where disclosure is required under applicable Securities Laws, disclosure must be included in the CPC Prospectus, and must include at least the following:
 - (a) disclosure of any interest of the Related Parties to the CPC in the Significant Assets or any Target Issuer;
 - (b) disclosure of any relationship between the Related Parties to the CPC and the Related Parties to the Qualifying Transaction; and
 - (c) sufficient disclosure to enable a potential investor to make a reasoned assessment of:

- (i) the nature and character of the proposed Significant Assets and the magnitude of the proposed Qualifying Transaction;
- (ii) the nature and magnitude of the consideration to be paid by the CPC in respect of the proposed Qualifying Transaction;
- (iii) the likelihood of the completion of the proposed Qualifying Transaction and the estimated time of completion; and
- (iv) to the extent known, any other information described in section 12.2.

5. Agents

5.1 General

In each jurisdiction where the IPO is conducted, the CPC must have an Agent who is:

- (a) registered under the Securities Laws in a category which permits them to act as the selling agent of the IPO Shares; and
- (b) is a Member of the Exchange.

5.2 Agent's Compensation

- (a) The maximum sales commission payable to an Agent as compensation for acting as the Agent in connection with the IPO is 10% of the gross proceeds raised pursuant to the IPO.
- (b) Other than as provided for in this Policy, no securities of the CPC can be issued or granted to the Agent or its Associates or Affiliates.
- (c) Any corporate finance fee or other compensation paid or to be paid to the Agent in its capacity as agent or Sponsor or otherwise in connection with the CPC Prospectus must be disclosed in the CPC Prospectus and any such fee or compensation payable in connection with Qualifying Transaction must be disclosed in the CPC Information Circular, and if known at the date of the CPC Prospectus, in the CPC Prospectus. Any such fees or compensation must be reasonable in the circumstances.

6. Agent's Option

- 6.1 No option or other right to subscribe for securities of a CPC may be granted to the Agent unless:
 - (a) the option or right is a single, non-transferable option or right;
 - (b) the number of common shares issuable upon exercise of the option or right does not exceed 10% of the total number of IPO Shares;

- (c) the exercise price per common share under the option or right is not less than the IPO Share price; and
 - (d) the option or right is exercisable only until the close of business on the date that is 18 months from the date of listing of the common shares of the CPC on the Exchange.
- 6.2 The option or right may be exercised in whole or in part by the Agent before the completion of the Qualifying Transaction by the CPC, provided that no more than 50 percent of the aggregate number of common shares which can be acquired by the Agent on exercise of the entire option or right may be sold by the Agent before the Completion of the Qualifying Transaction.

7. Options to Related Parties of the CPC

- 7.1 Incentive stock options to acquire common shares of a CPC may only be granted to a director or officer of the CPC, or a Company, all of whose securities are owned by a director or officer of the CPC. The total number of common shares reserved under option for issuance may not exceed 10% of the common shares to be outstanding after closing of the IPO, before the exercise of any convertible securities.
- 7.2 The number of common shares reserved under option for issuance to any one person may not exceed 5% of the common shares to be outstanding after closing of the IPO, before the exercise of any convertible securities.
- 7.3 CPC's are prohibited from granting options to any person providing investor relations, promotional or market-making activities.
- 7.4 The exercise price per common share under any stock option granted by a CPC cannot be less than the greater of the IPO Share price and the Discounted Market Price.
- 7.5 No stock option granted pursuant to this section may be exercised before the Completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the shares acquired into escrow until the issuance of the Final Exchange Notice.

8. Prohibited Payments and Use of Proceeds

8.1 Prohibited Payments to Related Parties

Except as permitted by sections 7 and 8.2 of this Policy, until the Completion of the Qualifying Transaction, no payment of any kind may be made, directly or indirectly, by a CPC to a Related Party to the CPC or a Related Party to the Qualifying Transaction, or to any person engaged in Investor Relations Activities in respect of the CPC or the securities of the CPC or any Resulting Issuer by any means including:

- (a) remuneration, which includes but is not limited to:

- (i) salaries;
- (ii) consulting fees;
- (iii) management contract fees or directors' fees;
- (iv) finder's fees;
- (v) loans;
- (vi) advances;
- (vii) bonuses; and
- (b) deposits and similar payments.

No payment referred to in this section may be made by a CPC, or by any party on behalf of the CPC, after the Completion of the Qualifying Transaction if the payment relates to services rendered or obligations incurred before or in connection with the Qualifying Transaction.

8.2 Exceptions to the Prohibitions on Payments to Related Parties of the CPC

Subject to subsections 3.1 and 8.4, a CPC may:

- (a) reimburse a Related Party to the CPC for:
 - (i) reasonable expenses for office supplies, office rent and related utilities;
 - (ii) reasonable expenses for equipment leases; and
 - (iii) legal services, provided that:
 - (A) if the lawyer receiving the remuneration is a sole practitioner, or a member of an association of sole practitioners, the lawyer is not a Promoter of the CPC; and
 - (B) if the legal services are provided by a firm of lawyers, no member of the law firm is a Promoter of the CPC; and
- (b) reimburse a Related Party to the CPC for reasonable out-of-pocket expenses incurred in pursuing the business of the CPC as referenced in section 3.1.

8.3 Permitted Use of Proceeds

- (a) Subject to subsections 3.1 and 8.1, until the completion of the Qualifying Transaction, the gross proceeds realized from the sale of all securities issued by the CPC may only be used to identify and evaluate assets or businesses for a prospective Qualifying Transaction such as:

- (i) expenses incurred for the preparation of:
 - (A) valuations or appraisals;
 - (B) business plans;
 - (C) feasibility studies and technical assessments;
 - (D) Geological Reports; and
 - (E) financial statements, including audited financial statements; and

- (ii) fees for legal and accounting services,

relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the proposed Qualifying Transaction.

- (b) Subject to prior Exchange acceptance, up to an aggregate of \$100,000 may be used by a CPC as a deposit for a proposed arm's length Qualifying Transaction. However, a maximum of \$25,000 of such deposit may be advanced as a non-refundable deposit, unsecured deposit or advance to preserve assets without prior Exchange Acceptance. The balance of the \$100,000 deposit must be refundable and is to be held in trust pending completion of the Qualifying Transaction.
- (c) Subject to prior Exchange Acceptance and adequate public disclosure, funds raised by a CPC pursuant to a Private Placement conducted after the commencement of trading of the CPC Shares but before the Completion of the Qualifying Transaction may be used to provide a secured loan or other deposit. See also section 10 of this Policy.
- (d) If less than the entire permitted portion of a loan or deposit is advanced, a subsequent loan or deposit up to the balance of the maximum aggregate loan or deposit permitted may be made. Similarly, if a deposit or loan or a part of it is refunded, the refunded amount can be used for a subsequent advance. The loan or deposit must be made in compliance with this Policy.

8.4 Restrictions on Use of Proceeds

- (a) Until the completion of the Qualifying Transaction, no more than 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than as provided in section 8.3. For greater clarification, expenditures that are not included in section 8.3 include:
 - (i) listing and filing fees (including SEDAR fees);
 - (ii) Agent's fees, costs and commissions;

- (iii) other costs of the issue of securities, including legal and audit expenses relating to the preparation and filing of the CPC Prospectus; and
- (iv) administrative and general expenses of the CPC, including:
 - (A) office supplies, office rent and related utilities;
 - (B) printing costs, including printing of the CPC Prospectus and share certificates;
 - (C) equipment leases; and
 - (D) fees for legal advice and audit expenses relating to matters other than those described in paragraph 8.3(a)(ii).
- (b) Until the Completion of the Qualifying Transaction, no proceeds from the sale of securities of a CPC may be used to acquire or lease a vehicle.
- (c) The restrictions in this Policy on expenditures and the use of proceeds continue to apply until Completion of the Qualifying Transaction. As a result of the definition of the “Qualifying Transaction”, such restrictions can continue to apply following shareholder approval of the proposed Qualifying Transaction. Management of a CPC and the Resulting Issuer are at risk of breaching this Policy in respect of expenditures made after shareholder approval is obtained but prior to the issuance of the Final Exchange Notice. If the Qualifying Transaction does not close or if for any other reason the Exchange does not issue a Final Exchange Notice, any expenditures made other than as permitted by this Policy will be considered to be a breach of this Policy.
- (d) If the CPC completes a Qualifying Transaction before spending the entire proceeds on identifying and evaluation properties or businesses, the CPC may use the remaining funds to finance or partly finance the acquisition of, or participation in the Significant Assets.

9. Restrictions on Trading

- 9.1 Other than the IPO Shares, the Agent’s Option and incentive stock options as permitted by this Policy, no securities of a CPC may be issued or traded during the period between the date of the receipt for the preliminary CPC Prospectus and the time the common shares begin trading on the Exchange, except with the prior written acceptance by the Exchange and the applicable Commission(s).

10. Private Placements for Cash

- 10.1 After the closing of the IPO and until the Completion of the Qualifying Transaction, a CPC may not issue for cash any securities unless written acceptance of the Exchange is obtained before the issuance of the securities.

- 10.2 The Exchange generally will not accept a private placement by a CPC where the gross proceeds raised from the issuance of Seed Shares, IPO Shares and any proceeds anticipated to be raised upon closing of the Private Placement exceeds \$700,000.
- 10.3 The Exchange generally will not accept a private placement by a CPC unless a news release has been issued announcing a proposed Qualifying Transaction. Except as permitted by subsection 8.3(c), the Exchange will generally require that funds raised pursuant to such Private Placement be held in trust until Completion of the Qualifying Transaction.
- 10.4 Securities issued on a Private Placement to certain Related Parties to the CPC and Qualifying Transaction may be subject to escrow. See section 11 of this Policy.

11. Escrow

11.1 Escrow of Discount Seed Shares

All Discount Seed Shares must be held in escrow pursuant to a Discount Seed Share Escrow Agreement. The terms of the Discount Seed Share Escrow Agreement irrevocably authorize and direct the escrow agent appointed under the escrow agreement, to immediately cancel all of their Discount Seed Shares held by insiders upon the issuance of an Exchange Bulletin delisting the CPC from the Exchange.

11.2 Escrow of Securities Held by Related Parties of the CPC

The following securities of a CPC, directly or indirectly, beneficially owned or controlled by Related Parties of the CPC are required to be held in escrow pursuant to a Seed Share Escrow Agreement:

- (a) all Seed Shares, other than Discount Seed Shares;
- (b) all IPO Shares; and
- (c) all securities acquired from treasury after the IPO but before the Completion of the Qualifying Transaction (other than shares acquired upon exercise of stock options that must be escrowed as provided in section 7.5).

11.3 Escrow of Securities Held by Control Persons

- (a) In addition to any common shares required to be held in escrow under sections 11.1 and 11.2, all common shares of the CPC acquired by a Control Person of the CPC in the secondary market before the Completion of the Qualifying Transaction must be held in escrow pursuant to a Seed Share Escrow Agreement.

- (b) Securities issued, other than in conjunction with a Qualifying Transaction, which are acquired by a Private Placement or any other manner by a Control Person of the CPC (determined after giving effect to the issuance) or by Related Parties to the CPC before the Completion of the Qualifying Transaction, must be held in escrow pursuant to a Seed Share Escrow Agreement.

11.4 Holding Companies

If securities of a CPC required to be held in escrow are held by a non-individual (a “holding company”), the holding company may not carry out any transactions that would result in a change of control of the holding company without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange, that to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the holding company. In certain circumstances, the Exchange may ask for an undertaking from any controlling shareholder of the holding company.

11.5 Release from Escrow

Subject to section 7 and subsection 11.6, shares of a CPC subject to escrow pursuant to this Policy will be released from escrow as follows:

- (a) 10% following issuance of the Final Exchange Notice;
- (b) 15% six months following the initial release;
- (c) 15% 12 months following the initial release;
- (d) 15% 18 months following the initial release;
- (e) 15% 24 months following the initial release;
- (f) 15% 30 months following the initial release; and
- (g) 15% 36 months following the initial release.

Percentages are calculated based on the total number of shares escrowed pursuant to each of the escrow agreements.

11.6 Cancellation

- a) The holders of Discount Seed Shares are required to include in their escrow agreement:
 - (i) an irrevocable authorization and direction to the escrow agent to immediately cancel all of the Discount Seed Shares upon the issuance by the Exchange of a notice delisting the CPC from trading on the Exchange; and
 - (ii) an agreement to indemnify and hold harmless the escrow agent and the Exchange in respect of the cancellation.

- b) The holders of Seed Shares other than Discount Seed Shares are required to include in their escrow agreement:
 - (i) an irrevocable authorization and direction to the escrow agent to cancel the Seed Shares on a date that is 10 years from the date of the issuance by the Exchange of a Notice delisting the CPC from trading on the Exchange; and
 - (ii) an agreement to indemnify and hold harmless the escrow agent and the Exchange in respect of the cancellation.

11.7 Transfers

Except as specifically provided for in the escrow agreements required by this Policy, transfers of shares escrowed pursuant to this Policy require the prior written consent of the Exchange. The Exchange will generally only permit a transfer of shares held in escrow to incoming principals in connection with a Qualifying Transaction.

11.8 Escrow of Securities Issued Pursuant to Qualifying Transaction

- (a) Subject to subsection 11.9, all securities which will be held by Principals of the Resulting Issuer as at the date of the Final Exchange Notice are required to be escrowed pursuant to Policy 5.4 - Escrow and Vendor Consideration.
- (b) Any securities issued to any other person in conjunction with or contemporaneous to the Qualifying Transaction may be subject to escrow requirements pursuant to Policy 5.4 - Escrow and Vendor Consideration.

11.9 Exemption for Certain Private Placement Securities

The Exchange will generally exempt from escrow, those Principal securities issued to persons who will be Principals of the Resulting Issuer obtained in connection with a Private Placement where:

- (a) the Private Placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the Discounted Market Price; or
- (b) the Private Placement is announced concurrently with the Agreement in Principle in respect of the Qualifying Transaction and:
 - (i) at least 75% of the proceeds from the Private Placement are not from Principals of the Resulting Issuer;

- (ii) if subscribers, other than Principals of the Qualifying Transaction will obtain securities subject to hold periods, then, in addition to any Resale Restrictions under applicable Securities Laws, any securities issued to Principals will be required to be legended with the four month Exchange hold period referred to in Policy 3.2 - Filings and Continuous Disclosure; and
- (iii) none of the proceeds from the Private Placement are allocated to pay compensation to or settle indebtedness owing to Principals of the Resulting Issuer.

12. Qualifying Transaction

12.1 Minimum Listing Requirements

- (a) When a CPC undergoes a Qualifying Transaction, the Resulting Issuer must satisfy the Exchange's minimum listing requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.1 - Minimum Listing Requirements, except that public distribution must be in compliance with the public distribution requirements for the applicable tier as described in Policy 2.5 - Tier Maintenance Requirements and Inter-Tier Movement.
- (b) The Qualifying Transaction of a CPC cannot result in the Resulting Issuer being a finance company or a mutual fund, as defined in the Securities Laws in the Provinces of Alberta and British Columbia.
- (c) References in Policy 2.1 to prior expenditures of the Issuer mean, for the purposes of this Policy, prior expenditures of the Target Issuer or Sellers of the Significant Assets. References in Policy 2.1 to Working Capital, Financial Resources or Net Tangible Assets mean, for the purposes of this Policy, the consolidated Working Capital, Financial Resources and Net Tangible Assets of the Resulting Issuer.

12.2 Announcement of Agreement in Principle Regarding a Qualifying Transaction

Upon an Agreement in Principle being reached, the CPC must immediately prepare and submit to the Exchange for review, a comprehensive news release that must include:

- (a) the date of the agreement;
- (b) a description of the Significant Assets, including:
 - (i) a statement as to the industry sector in which the CPC will be involved upon the completion of the Qualifying Transaction;
 - (ii) the history and nature of business previously conducted; and

- (iii) a summary of any available significant financial information (with an indication as to whether such information is audited or unaudited and the currency of such information);
- (c) a description of the terms of the Qualifying Transaction including the amount of proposed consideration, including an indication of how the consideration is to be satisfied and the amounts to be paid by way of cash, securities, indebtedness or other means;
- (d) identification of the location of the Significant Assets, including, in the event that the Significant Assets are to be acquired by the acquisition of a Target Issuer, identification of the jurisdiction of incorporation or creation of the Target Issuer;
- (e) the full names and jurisdictions of residence of each of the principal Sellers of the Significant Asset and, if any of the principal Sellers is a Company, the full name and jurisdiction of incorporation or creation of that Company, and the name and jurisdiction of residence of each of the individuals who directly or indirectly beneficially holds a controlling interest in or who otherwise controls or directs that Company;
- (f) identification of:
 - (i) any direct or indirect beneficial interest of any of the Related Parties to the CPC in the Significant Assets;
 - (ii) whether any Related Parties to the CPC are otherwise Insiders of any Target Issuer; and
 - (iii) any relationship between or among the Related Parties of the CPC and the Related Parties of the Qualifying Transaction;
- (g) the names and backgrounds of any all Persons who will constitute Insiders of the CPC upon completion of the Qualifying Transaction;
- (h) a description of any financing arrangements for or in conjunction with the Qualifying Transaction including the amount, security, terms and use of proceeds;
- (i) a description of any deposit made as permitted by this Policy and description of any loan to be made, subject to Exchange Acceptance, including the terms of the proposed Private Placement from which proceeds are to be raised to provide the funds for such loan and the proposed use of the loan;
- (j) an indication of any significant conditions required to complete the Qualifying Transaction;
- (k) if a Sponsor has been retained in connection with the Qualifying Transaction, identification of the Sponsor of the Qualifying Transaction and the terms of sponsorship;

- (l) the following statement:

“Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and majority of the minority shareholder approval. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The Canadian Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.”;

- (m) if a Sponsor has been retained, the following additional statement:

“[Insert name of Sponsor], subject to completion of satisfactory due diligence, has agreed to act as sponsor in connection with the transaction. An agreement to sponsor should not be construed as any assurance with respect to the merits of the transaction or the likelihood of completion.”; and

- (n) all other requirements of Policy 3.3 - Timely Disclosure.

The Exchange will co-ordinate with the CPC the timing of the news release in an effort to ensure proper dissemination. Trading in the common shares of the CPC will remain halted until the steps referenced in section 2.3 of this Policy have been completed.

12.3 Initial Submission

The following documents must be filed with the Exchange for review within 60 days after the announcement of the Agreement in Principle, failing which the trading in the shares of the CPC will be halted until all required documents have been filed:

- (a) a submission letter from the CPC (or, with the consent of the CPC, from the Target Issuer) giving notice of the proposed Qualifying Transaction and providing:
 - (i) a summary of the transaction and identification of any unusual terms;
 - (ii) a list of the documents included in the submission; and
 - (iii) identification of particular registration and prospectus exemptions, if any, being relied upon if securities are to be issued as part of the transaction;
- (b) draft copies of the notice of meeting, form of proxy and the CPC Information Circular disclosing the terms of the Qualifying Transaction and prepared in accordance with section 13 of this Policy;

- (c) one copy of each material contract that the CPC (or any Target Issuer) has entered into in the last 12 months which has not been previously filed with the Exchange;
- (d) a copy of each Geological Report, valuation, appraisal or other technical report required to be filed with the Exchange and a letter of qualifications and independence from the author of each report;
- (e) copies of the audited financial statements, unaudited financial statements (subject to review engagement report) of any Target Issuer and *pro forma* financial statements (subject to compilation report) in regard to any Resulting Issuer, all as required by section 14.3 of this Policy;
- (f) in the case of any non-resource issuer, a copy of a business plan for the next 24 month period;
- (g) details of any other evidence of value as contemplated by Policy 5.4 - Escrow and Vendor Consideration;
- (h) copies of Insider reports relating to the transactions in the securities of the CPC by the CPC's Insiders for the period during which the CPC has traded on the Exchange; and
- (i) as soon as available, the preliminary Sponsor Report.

The preliminary Sponsor Report is required before the application will be presented to the Listings Committee for consideration.

12.4 Pre-Meeting Documentation

When a CPC has cleared all comments raised by the Exchange in connection with the initial submission, the CPC will be required to file the following documents with the Exchange:

- (a) a copy of the proposed final CPC Information Circular including the notice of meeting and the form of proxy to be mailed to shareholders; and
- (b) a copy of any material contract or other document previously filed with the Exchange in draft form;

- (c) a consent letter from any auditor, engineer, appraiser or other expert (an “Expert”) named in the Information Circular as having prepared or rendered a report, opinion or valuation (a “Report”) on any part of the circular or named as having prepared a Report filed in connection with the CPC Information Circular, the letter must consent to the submission of the Report to the Exchange, and the inclusion or reference in the CPC Information Circular of the Expert’s Report and state that the Expert has read the CPC Information Circular and has no reason to believe that there is any misrepresentation contained in the CPC Information Circular which is derived from his Expert’s Report or which he is otherwise aware;
- (d) a copy of the directors’ resolution approving the Information Circular and authorizing the signing of the CPC Information Circular in accordance with subsection 13.1(d), certified by an officer of the CPC (or notarially certified) to be a true copy or true extract of a duly and properly authorized resolution of the board of directors of the CPC;
- (e) a copy of the directors’ resolutions authorizing the signing of the CPC Information Circular in accordance with subsection 13.1(e), certified by an officer of any Target Issuer (or notarially certified) to be a true copy or true extract of a duly and properly authorized resolution of the board of directors of the Target Issuer ; and
- (f) the final executed copy of the Sponsor Report.

Subject to satisfactory review of the foregoing, the Exchange will advise the CPC that it is cleared to mail the CPC Information Circular to shareholders and will provide its conditional acceptance of the Qualifying Transaction, such acceptance being conditional upon receipt of the required shareholder approval and any other conditions the Exchange deems appropriate.

Concurrently, with the mailing of the CPC Information Circular to shareholders, the CPC must file the CPC Information Circular with the applicable Commission(s) via SEDAR.

12.5 Post-Meeting Documentation

The following documentation is required to be filed with the Exchange within the time period prescribed by the Exchange, following the shareholders’ meeting and is required to be filed before the Exchange will issue the Final Exchange Notice:

- (a) a certified copy of the Scrutineer’s Report detailing the results of the vote on the resolution to approve the Qualifying Transaction and confirming that no Related Parties of the Qualifying Transaction or Related Parties of the CPC were included when compiling the results of the shareholder vote and, if applicable, confirming shareholder approval was obtained on any other matters in respect of which it was required;

- (b) an originally or notarially certified copy of the escrow agreements required under Policy 5.4 - Escrow and Vendor Consideration;
- (c) a legal opinion confirming that, other than final Exchange Acceptance, all closing conditions have been satisfied, the Resulting Issuer is the legal owner of the Significant Assets, and that all securities issued in connection with the Qualifying Transaction were validly and properly issued, that all Listed Shares were issued as fully paid and non-assessable and that in regard to any securities issued which are exercisable or convertible into Listed Shares, that upon proper exercise or conversion of such securities, in accordance with their terms, all Listed Shares issued will be validly issued as fully paid and non-assessable;
- (d) any other documents required to be filed; and
- (e) the balance of the applicable listing fee as prescribed by Policy 1.3 - Schedule of Fees.

12.6 Assessment of a Significant Connection to Ontario

Where a Resulting Issuer will have a Significant Connection to Ontario, it must immediately notify the Exchange and make an application to be deemed a reporting issuer pursuant to section 19.2 of *Policy 3.1 – Directors, Officers and Corporate Governance*.

13. Information Circular

13.1 The CPC Information Circular submitted to the Exchange and mailed to shareholders in connection with a Qualifying Transaction must:

- (a) be prepared and mailed in accordance with applicable corporate law and Securities Law requirements;
- (b) contain prospectus level disclosure of the Qualifying Transaction and the Resulting Issuer and be prepared in accordance with the Exchange Information Circular Form (Form 3A) and include on the cover page a statement that:

“The Canadian Venture Exchange has not in any way passed upon the merits of the Qualifying Transaction described herein and any representation to the contrary is an offence.”
- (c) contain full, true and plain disclosure of all material facts relating to the securities of the CPC, assuming Completion of the Qualifying Transaction and include a manually executed certificate page signed by the Chief Executive Officer, Chief Financial Officer and two other directors of the CPC which certifies to that effect, as follows:

“The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of [insert name of CPC] assuming Completion of the Qualifying Transaction.”;

- (d) where the Qualifying Transaction involves the acquisition of a Target Issuer, include a manually executed certificate page signed by the Chief Executive Officer, Chief Financial Officer and two other directors of the Target Issuer which certifies as follows:

“The foregoing, as it relates to [insert name of the Target Issuer] constitutes full, true and plain disclosure of all material facts relating to the [securities/assets] of [insert name of the Target Issuer].”;

- (e) where:

- (i) the Resulting Issuer will be a mining issuer or an oil and gas issuer, the Principal Properties (as defined in Policy 2.1) of which are outside of Canada and
- (A) the majority of the board of directors will not be Canadian residents, or
- (B) any control person of the Resulting Issuer is not a Canadian resident, or
- (ii) where the Resulting Issuer will be an industrial, technology, real estate, investment or research and development issuer (a “Non-Resource Issuer”) and:
- (A) a principal component of its business operations will be located outside of Canada; or
- (B) the majority of the board of directors will not be Canadian residents; or
- (C) any control person of the Resulting Issuer is not a Canadian resident,

include a certificate signed by a duly authorized officer of the Sponsor certifying as follows:

“To the best of our information and belief, the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities of [insert name of the CPC], assuming Completion of the Qualifying Transaction.”; and

- (f) have attached to and be incorporated into the CPC Information Circular the financial statements as required by section 14.3 of this Policy, including balance sheets originally executed by two directors and originally executed auditor’s reports, review engagement reports and compilation reports, as the case may be.

14. Other Requirements

14.1 Exchange Review of Qualifying Transactions

As part of the review of the Qualifying Transaction, the Exchange will review the expenses, disclosure, trading history and other transactions undertaken by the CPC during its listing to determine compliance with Exchange Requirements. The Exchange may refuse to accept the Qualifying Transaction if significant concerns arise from its review, which need not be limited to concerns with the items specifically listed above.

14.2 Deemed Share Price

- (a) Generally, where payment of consideration by a CPC for Significant Assets includes the issuance of securities, the Exchange requires that the deemed price per Listed Share to be issued is at least the Discounted Market Price. The total deemed consideration is determined based on the number of securities issued multiplied by the deemed price per share. However, where the Qualifying Transaction is announced following the closing of the IPO but before listing of the common shares for trading on the Exchange, the deemed value of the common shares to be issued will be based on either:
 - (i) the average closing price of the common shares in each of the first five trading days, less permissible discounts, provided such price is not less than the IPO share price; or
 - (ii) on a predetermined value which must not be less than \$0.20 per share.
- (b) The Exchange will require the exercise price of any stock options granted in connection with a Qualifying Transaction to be the greater of the deemed price per Listed Share of the securities issued on the Qualifying Transaction, the price of any concurrent financing and the Discounted Market Price at the time of announcement of the options.
- (c) The Exchange may require that the deemed price per Listed Share of the securities issued on the Qualifying Transaction be equal to that of any concurrent arm's length financing.

14.3 Financial Statements

- (a) Except as specifically modified below, the financial statements of the Target Issuer to be included in the Information Circular must be the same as would be required in conjunction with a Prospectus under the applicable Securities Law in which the CPC's IPO was conducted. The following modifications are acceptable:
 - (i) subject to (ii), audited comparative financial statements will generally be required for a three year historical period; or

- (ii) the Exchange can waive the three year history required in section (i) provided that the following financial statements for the Target Issuer are provided:
 - (A) audited financial statements for the most recently completed financial year; and
 - (B) unaudited financial statements for the prior two financial years
- (b) Without limiting the requirements of applicable Securities Laws, any audited financial statements must be prepared by an auditor acceptable to the applicable Securities Commissions and must include a balance sheet signed by two directors, an income statement, a statement of retained earnings, a statement of changes in financial position (or, in respect of a Target Issuer engaged in the business of investing, a statement of changes in net assets) and a signed auditor's report.
- (c) If at the time of the initial submission with the Exchange, more than 120 days have elapsed from the date of the audited balance sheet of the Target Issuer (or such shorter period of time prescribed by applicable Securities Laws in relation to the financial statements included in a preliminary Prospectus), the CPC Information Circular must also include, as of a date not more than 90 days (or such shorter period of time prescribed by applicable Securities Laws in relation to the interim financial statements required in a preliminary Prospectus) before the date of the initial submission, unaudited interim financial statements which have been reviewed by an auditor acceptable to the applicable Securities Commission(s).
- (d) In all cases, an auditor's comfort letter or Review Engagement Report will be required to be filed with the Exchange in respect of any unaudited interim financial statements. Review Engagement Reports will generally be required to be included in the Information Circular where the Information Circular is vetted by the Vancouver office of the Exchange and will generally be required to be excluded from the Information Circular where the Information Circular is vetted by the Calgary office of the Exchange.
- (e) Pro forma financial statements, which give effect to the acquisition, must be included in the CPC Information Circular and must be accompanied by an appropriate auditor's compilation report.
- (f) If more than 75 days have expired since the time of filing the initial submission with the Exchange and the CPC Information Circular has not yet been mailed to the CPC's shareholders, the Exchange may require that updated financial statements be included in the CPC Information Circular as would be required under applicable Securities Laws in connection with a Prospectus.
- (g) Management projections of future earnings will not generally be accepted for inclusion in a CPC Information Circular. If the Exchange agrees to accept the inclusion of projections in the Information Circular, the projections must comply with National Policy No. 48 or any successor instrument.

14.4 Inactivity or Failure to Respond to Exchange

- (a) If the Information Circular has not been mailed to shareholders within 75 days after the initial submission to the Exchange of documents required under subsection 12.3 and, in the opinion of the Exchange, the delay is due to the inaction of the CPC, the Sellers or any Target Issuer, the Exchange may:
 - (i) close its file as “not proceeded with” and require the CPC to issue a news release with respect to the status of the proposed Qualifying Transaction; or
 - (ii) require that an updated Information Circular containing updated material facts and updated financial statements, Geological Reports, valuations or other reports be filed.
- (b) If post-meeting documents required under subsection 12.5 have not been submitted to the Exchange within the time prescribed by the Exchange following the shareholders’ meeting, the Exchange may:
 - (i) require the CPC or the Resulting Issuer to issue a news release explaining the delay; and/or
 - (ii) halt or suspend trading in the Listed Shares of the CPC for failure to complete a Qualifying Transaction, pending filing of the post-meeting documents.
- (c) Inactivity may be evidenced by the failure to make reasonable and timely efforts to provide acceptable responses to the comments of the Exchange.

14.5 Multiple Filings

The Exchange will generally not grant conditional acceptance for listing of a CPC where any director or officer of a CPC is associated with more than one other CPC, JCP or VCP that has not yet completed a Qualifying Transaction.

14.6 Consulting Fees

The Exchange may seek the opinion of an independent engineer, appraiser or other expert in determining the reasonableness of a technical report; Geological Report, business valuation or other Expert Report filed with the Exchange. In such circumstances, the Exchange may require the CPC or any Resulting Issuer to pay for the Exchange’s costs.

14.7 Trading Halts, Suspension and Delisting

- (a) The Exchange may suspend from trading or delist the Listed Shares of a CPC where the Issuer has failed to complete a Qualifying Transaction within 18 months after the date of listing.

- (b) The Exchange will halt trading in the Listed Shares of a CPC from the date of announcement of an Agreement in Principle regarding a Qualifying Transaction until all steps referenced in section 2.3 have been completed. A trading halt may be imposed where the Issuer has not filed the supporting documents required by section 12.3 of this Policy within 60 days after the date of the announcement of the Agreement in Principle. The halt will remain in effect until either the Exchange receives and reviews the documentation required under this Policy and the Information Circular has been mailed to the shareholders, or the CPC issues a news release that disclosing the proposed Qualifying Transaction is not proceeding.
- (c) As indicated in section 14.4, a trading halt or suspension may also be required when post-meeting documentation is not submitted within the prescribed time.
- (d) If a CPC determines or becomes aware that a Qualifying Transaction will not be proceeding as previously announced, or at all, the CPC must immediately issue a news release in that regard.
- (e) If the CPC or the Sponsor terminate the sponsorship of the Qualifying Transaction, the parties must immediately issue a news release advising of the termination. Trading in the shares of the CPC will be halted and the halt will remain in effect until a new Sponsor has provided the Exchange with a Sponsorship Acknowledgement Form and a pre-filing conference has been completed.

14.8 Refusal of Qualifying Transaction

- (a) Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction if the CPC fails to meet the Minimum Listing Requirements upon the completion of the Qualifying Transaction or for any other reason at the sole discretion of the Exchange.
- (b) The Exchange will refuse a Qualifying Transaction where the Resulting Issuer will be a finance company or a mutual fund as defined under the Securities Laws of the Province of British Columbia or Alberta.

14.9 Pro Group

- (a) Neither the Sponsor nor any director, officer, employee or contractor of the Sponsor or any Affiliates of the foregoing is permitted to subscribe for Seed Shares or IPO Shares.
- (b) At the time of listing and until Completion of the Qualifying Transaction, the aggregate number of common shares owned directly or indirectly by the Pro Group cannot exceed 20% of the total outstanding Listed Shares of the CPC, excluding securities reserved for issuance at a future date.

- (c) The Exchange will require that any securities issued to the Pro Group in connection with or in contemplation of the Qualifying Transaction will be required to be legended with the four month hold period prescribed pursuant to Policy 3.2 - Filing Requirements and Continuous Disclosure.

14.10 Reverse Take-Over

The Exchange will not generally permit a Resulting Issuer to conduct a Reverse Take-Over for a period of one-year following Completion of the Qualifying Transaction.

14.11 Compliance with Securities Law

- (a) Insiders of the CPC, including Persons who are deemed Insiders under applicable Securities Law, and Persons in a special relationship with the CPC or the Resulting Issuer are reminded of the requirements under Securities Laws and Exchange Policies in regard to maintaining confidential information and the restrictions on trading on undisclosed information.
- (b) Management of the CPC and the Resulting Issuer are reminded of their obligations to comply, to the extent applicable, with National Policy No. 31 (Change of Auditor of a Reporting Issuer), National Policy No. 48 (Future Oriented Financial Information) and National Policy No. 51 (Changes in the Ending Date of a Financial Year and in Reporting Issuer Status) and any successor instruments.
- (c) CPCs or Resulting Issuers which intend to use the CPC Information Circular as an Annual Information Form under the System for Shorter Hold Periods with an Annual Information Form (“SHAIF System”), developed by either of the ASC or the BCSC should refer to the provisions of applicable Securities Laws. Compliance with the requirements of a CPC Information Circular by the Exchange may not satisfy the requirements of the applicable SHAIF System.

14.12 Effect of Exchange Acceptance

Neither review of any Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular or the issuance of a Final Exchange Notice should be construed as assurance that the CPC or any Resulting Issuer is in compliance with applicable Securities Laws, including use of any Prospectus or registration exemption or the adequacy of disclosure in any take-over bid circular, offering memorandum or other disclosure document. Similarly, neither review of any Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular or the issuance of a Final Exchange Notice should be construed as an assurance as to the merits of the Qualifying Transaction or an investment in the securities of any issuer.

15. Transition

- (a) All JCPs as defined pursuant to ASC Rule 46-501 will continue to be governed by ASC Rule 46-501 and ASE Circular No. 7 except as provided for in the ASC Blanket Order published concurrently with the creation of CDNX. Generally, speaking, the Blanket Order permits listed JCPs to conduct a foreign Major Transaction provided that:
 - (i) as soon as the JCP determines that it may consider foreign transactions, it must issue a news release and file a material change report disclosing the change in its investment objectives;
 - (ii) the JCP thereafter must fully comply with the provisions of this Policy in regard to Qualifying Transactions.
 - (b) All VCPs as defined pursuant to VSE Policy 30 will continue to be governed by VSE Policy 30. Generally, any VCP can opt to comply with this Policy in relation to its Qualifying Transaction, except to the extent that a Related Party transaction (as defined in VSE Policy 30) will continue to be prohibited for a period of six months from the date of listing of the VCP.
 - (c) JCPs that announce a Major Transaction (as defined in ASE Circular No. 7) after March 1, 2000 and VCPs that announce a Qualifying Transaction (as defined in VSE Policy 30) after March 1, 2000 will be required to comply with this Policy in relation to the Qualifying Transaction.
 - (d) From November 29, 1999 to March 1, 2000, Issuers can opt to file a Prospectus in accordance with the JCP program, the VCP program or the CPC program. Effective March 1, 2000, the only program that will be available will be the CPC program. A JCP or VCP that has not obtained a final receipt for a prospectus on or before March 31, 2000 will be required to amend its Prospectus to comply with the CPC Policy, in its entirety.
 - (e) If at November 29, 1999 a JCP or VCP has not yet obtained a final receipt for the JCP Prospectus or the VCP Prospectus or has not yet closed its IPO, it is not permitted to opt to comply with this Policy unless the JCP or VCP files an amended Prospectus.
-