

POLICY 4.2

PROSPECTUS OFFERINGS

Scope of Policy

This Policy addresses the filing and procedural requirements for Issuers proposing to distribute securities to the public pursuant to a Prospectus. This Policy applies to public offerings of securities carried out by Issuers whose securities are already listed for trading on the Exchange. It does not apply to an Issuer proposing to carry out an Initial Public Offering of its securities through the facilities of the Exchange concurrent with an Application for Listing, which is governed by Policy 2.3 - Listing Procedures, or to an Initial Public Offering by a Capital Pool Company which is governed by Policy 2.4 - Capital Pool Companies.

The main headings in this Policy are:

1. Public Offering by Prospectus – Multiple Jurisdictions
2. British Columbia Prospectus Distributions
3. Alberta Exchange Offering Prospectus Distributions
4. Agent Compensation for a BC Prospectus or Alberta EOP

1. Public Offering by Prospectus – Multiple Jurisdictions

1.1 General

Except as specifically described in section 2 – British Columbia Prospectus Distributions or section 3 - Alberta Exchange Offering Prospectus Distributions, a Prospectus offering conducted by an Issuer must be prepared in accordance with the requirements of applicable Securities Laws and will be vetted by the applicable Securities Commissions. The Securities Commission designated as the principal jurisdiction under National Policy No. 1 or as the principal regulator under National Instrument 43-201 Mutual Reliance Review System for Prospectuses and AIFS is the primary reviewing authority for a Prospectus. When conducting a public offering by Prospectus, an Issuer must comply with the provisions of applicable Securities Laws. However, a Prospectus must also be filed with the Exchange to obtain the Exchange's consent to the issuance of securities and the additional listing of the securities offered under the Prospectus.

1.2 Exchange Filing Requirements

- (a) An Issuer conducting a Prospectus offering must file the following with the Exchange:
 - (i) a copy of the Issuer's submission letter to the principal jurisdiction Securities Commission and a copy of the preliminary Prospectus (including all financial statements, reports, certificates, and other documents which are required to accompany the Prospectus);

- (ii) a copy of the Issuer's material agreements not previously filed with the Exchange, including the Issuer's agreement with the Agent or Underwriter who will conduct the public offering;
 - (iii) a copy of all of the Issuer's letters to and from each Securities Commission relating to the Prospectus offering;
 - (iv) a copy of the Issuer's final Prospectus and any amendments (including all financial statements, reports and other documents which are part of the Prospectus);
 - (v) a copy of each Securities Commission receipt for the final Prospectus; and
 - (vi) the applicable filing fee as prescribed by Policy 1.3 - Schedule of Fees.
- (b) The filing requirements set out in section 1(1)(a) are in addition to the requirements in section 2 for a BC Prospectus and in section 3 for an Alberta EOP. In connection with an Alberta EOP, the Exchange must receive:
- (i) the materials described in section 1(1)(a)(i) to (iii) before it will grant conditional acceptance of the proposed financing; and
 - (ii) the materials described in section 1(1)(a)(iv) to (vi) before the securities will be listed.

1.3 Scope of Exchange Review

The Exchange reviews these materials in order to accept any transactions disclosed in the Prospectus which have not been previously filed with the Exchange and to accept the listing of any securities to be issued pursuant to the Prospectus. Any transactions disclosed in the Prospectus which have not been previously filed with the Exchange for acceptance must comply with Exchange Requirements. A Securities Commission will generally not issue a receipt for a final Prospectus until the Exchange has conditionally accepted the listing of the securities offered under the Prospectus.

2. British Columbia Prospectus Distributions

2.1 General

- (a) Under arrangements between the BCSC and the Exchange, the Exchange rather than the BCSC is the primary reviewer of each Prospectus (a "BC Prospectus") filed for distributions made only in the Province of British Columbia. This includes initial public offerings, new issues and prospectuses filed to qualify special warrants or other securities, provided that the distribution occurs only in the Province of British Columbia and the Prospectus is not filed with any other Securities Commission. The BC Prospectus will only be reviewed by the Vancouver office of the Exchange.

- (b) Currently, the BCSC and the Exchange have an interim agreement under which the BCSC delegates to the Exchange the authority to review a BC Prospectus. Other Securities Commissions may negotiate similar or other arrangements in the future.
- (c) At any time after receiving a preliminary BC Prospectus, the Exchange or the BCSC can determine that the BCSC will complete the review. The Exchange or BCSC will notify the Issuer promptly if this determination is made.
- (d) Unless the Exchange Requirements applicable to a particular offering require otherwise, the Agent or Underwriter in connection with a BC Prospectus may be either a Member or a Participating Organization provided that it is registered under the *Securities Act* (British Columbia) to sell securities in the Province of British Columbia.

2.2 Form of BC Prospectus

- (a) A BC Prospectus must be prepared in accordance with the requirements of the applicable forms for a Prospectus prescribed by the BCSC. The BC Prospectus must comply with all of the requirements of British Columbia Securities Laws as they apply to the form and content of a Prospectus.
- (b) Under applicable British Columbia Securities Laws, the BCSC has the authority in certain circumstances to waive or vary certain requirements of policies applicable to a BC Prospectus or any accompanying document. If an Issuer requires a waiver or variation, the Issuer must:
 - (i) request the waiver or variation in the covering letter to the Exchange and the BCSC filed with the preliminary BC Prospectus; and
 - (ii) demonstrate that the relief requested would not be prejudicial to the public interest.

If the Exchange agrees with the submission, it will request, in writing, that the BCSC waive the requirement, indicating the reasons for the request. The BCSC will advise the Exchange in writing when it has decided to grant or deny the waiver or variation. The Exchange will then advise the Issuer of the BCSC's decision. The waiver or variation can be evidenced by the issuance of a receipt for the final BC Prospectus.

- (c) The BCSC has authority in certain circumstances to grant an exemption from the requirements of British Columbia Securities Laws applicable to a BC Prospectus. If an Issuer requires an exemption from British Columbia Securities Laws, the Issuer must apply to the BCSC, requesting the appropriate exemption, and should provide a copy of the application to the Exchange.

2.3 Documents to be Filed with Preliminary BC Prospectus

In order to proceed with a BC Prospectus offering an Issuer must file with the Vancouver office of the Exchange:

- (a) a copy of the preliminary BC Prospectus, signed by the Issuer's officers, directors and Promoters and by each Member or Participating Organization who is acting as the Agent or Underwriter for the offering. These certificates must be signed within three days of the date of the preliminary BC Prospectus. The preliminary BC Prospectus must be filed within 10 days of the date of the preliminary BC Prospectus;
- (b) a certified copy of the directors' resolution approving the preliminary BC Prospectus and authorizing the directors and officers to sign it;
- (c) a table cross-referencing the disclosure in the preliminary BC Prospectus to the items set out in the applicable forms prescribed by the BCSC;
- (d) an unsigned copy, in draft form, of the audited financial statements and any draft unaudited financial statements, together with a review engagement report by the Issuer's auditors, presented in accordance with paragraphs 7100.34 and 7100.35 of the CICA Handbook. The audited financial statements filed with a preliminary BC Prospectus should be addressed to the directors;
- (e) with the prior consent of the BCSC, an unsigned copy, in draft form, of any future-oriented financial information;
- (f) any valuation or appraisal report obtained in the past twenty-four months or required pursuant to British Columbia Securities Laws;
- (g) evidence of value in circumstances required under Policy 5.4 - Escrow and Vendor Consideration;
- (h) all Geological Reports referred to in the BC Prospectus, accompanied by the authors' certificates and consents as required by British Columbia Securities Laws;
- (i) in the case of a BC Prospectus involving resource properties, a title report relating to the status of the Issuer's interest prepared by a qualified person for each property on which proceeds of the offering will be expended and the expiry dates of those interests;
- (j) signed auditor's comfort letters for the audited financial statements, and for any future-oriented financial information and audited statement of costs provided in accordance with British Columbia Securities Laws;

- (k) a PIF in the form set out in Form 2A for each individual Insider of the Issuer and where any Insider is not an individual, a PIF from each Insider of the non-individual. (Alternatively, an individual required to file a PIF may make a statutory declaration that the individual has filed a PIF within the 12 months before the date of the preliminary BC Prospectus and that there has been no change in the information required to be disclosed in response to the questions dealing with change of name or business name, administrative proceedings, offences, civil proceedings, bankruptcy and settlement agreements.);
- (l) the underwriting or agency agreement (which may be in draft form so long as the Underwriter or Agent has signed the certificate in the preliminary BC Prospectus);
- (m) signed or certified true copies of all material agreements not previously filed with the Exchange;
- (n) a schedule providing the background calculations to the percentages of securities quoted in the preliminary BC Prospectus;
- (o) asset and earnings coverage calculations for a debt offering or dilution calculation for an equity offering;
- (p) any documentation required to be filed under any other policy of the Exchange with respect to a transaction disclosed in the BC Prospectus which has not been previously filed with the Exchange;
- (q) a covering letter to the Exchange listing the documents enclosed and:
 - (i) confirming that the Issuer has filed with the BCSC the documents required by British Columbia Securities Laws,
 - (ii) identifying any policies for which the Issuer has requested a variation or waiver, if required, and
 - (iii) providing a copy of any application to the BCSC for an exemption order, if required; and
- (r) the applicable filing fee as prescribed by Policy 1.3 - Schedule of Fees.

2.4 Financial Statements

- (a) The audited financial statements required for a BC Prospectus must comply with applicable British Columbia Securities Laws and the following requirements:
 - (i) unless the Exchange or the BCSC require otherwise, a BC Prospectus must contain:

- (A) an income statement of the Issuer for each of its last three financial years;
 - (B) a statement of retained earnings of the Issuer for the same period;
 - (C) a statement of changes in financial position of the Issuer for the same period; and
 - (D) a balance sheet of the Issuer as at each of its last two financial years;
- (ii) if the Issuer has completed a business combination or proposes to enter into a business combination including a COB or an RTO, additional pro forma consolidated financial statements are required to be filed for the unlisted Company being acquired. The Issuer and its advisers must consider whether or not a group of assets being acquired actually constitutes a “business” rather than just a capital asset acquisition (under paragraph 1580.02(b) of the CICA Handbook), as well as whether the “purchase method” is appropriate or whether the acquisition should be accounted for as an RTO, or a “common control transaction” (under paragraph 1580.05 of the CICA Handbook). The “purchase method”, if incorrectly applied, generally results in the consolidated assets being materially overstated. Indicators of potential problems in this regard include the recognition in the financial statements of goodwill, large amounts of “purchased technology”, and/or evidence that “control”, as defined by paragraph 1590 of the CICA Handbook, has or will be transferred to the “acquiree’s shareholder(s) or the vendor(s)”;
 - (iii) the level of disclosure contained in the financial statements must be adequate under applicable British Columbia Securities Laws;
 - (iv) if the Issuer is reactivating, the draft audited financial statements must be dated within 120 days of the date of the receipt for the preliminary BC Prospectus;
 - (v) for any future-oriented financial information, refer to paragraph 48 of the Auditing and Related Services Guideline of the CICA Handbook entitled “Examination of a financial forecast or projection included in a prospectus or other offering document” as well as applicable British Columbia Securities Laws;
 - (vi) if a Material Change occurs after the date of the financial statements but before the date of the BC Prospectus, such additional information as required under applicable British Columbia Securities Laws;
 - (vii) the financial statements must include figures for subsidiaries of the Issuer; and
 - (viii) for Issuers which are in the development stage, the financial statements must contain an analysis of exploration, research, development and administrative costs.

- (b) The unaudited financial statements of the Issuer must be:
 - (i) prepared on a comparative basis; and
 - (ii) must be prepared by a public accountant and include a review engagement report under sections 8100 and 8200 of the CICA Handbook.
- (c) Financial statements contained in a BC Prospectus must be approved by the board of directors of the Issuer and their approval must be evidenced by the signatures at the foot of the balance sheet of two directors duly authorized to signify the approval, and with their names typed below their signatures.

2.5 Receipt for Preliminary BC Prospectus

- (a) After the Exchange receives a preliminary BC Prospectus and accompanying documents filed by an Issuer, the Exchange will check that the documents are in the form required by British Columbia Securities Laws. If any of the documents filed are deficient, the Exchange will notify the BCSC and the Issuer's counsel. Once the preliminary BC Prospectus and accompanying documents are in the form required by British Columbia Securities Laws, the Exchange will request that the BCSC issue a receipt for the preliminary BC Prospectus.
- (b) If the BCSC has received the documents it requires under British Columbia Securities Laws and the prescribed fee, it will issue by SEDAR a receipt for the preliminary BC Prospectus.

2.6 Use of Preliminary BC Prospectus

The preliminary BC Prospectus can be used by the Underwriter or Agent to solicit "expressions of interest" before a receipt for the final BC Prospectus is issued by the BCSC, provided that the Underwriter or Agent complies with British Columbia Securities Laws.

2.7 Review of Preliminary BC Prospectus

- (a) After the BCSC has issued a preliminary receipt, the Exchange will review and assess the preliminary BC Prospectus and the other documents filed by the Issuer. If the Exchange determines that the BC Prospectus and accompanying documents do not comply with the policies of the Exchange or British Columbia Securities Laws or requires further information, the Exchange will issue written comments to the Issuer's counsel with a request for written responses.
- (b) If there are serious disclosure problems in the preliminary BC Prospectus, then the Exchange can:
 - (i) determine that a trading halt or suspension would be appropriate in the circumstances;

- (ii) discuss with the BCSC whether a cease trade order under the British Columbia Securities Laws would be appropriate in the circumstances; or
 - (iii) return the filed materials to the Issuer.
- (c) When the Exchange is satisfied with the responses to its comments and the BCSC has notified the Exchange that it is ready for final materials to be filed, the Exchange will request the Issuer to file final materials. The materials to be filed with and process to be followed in connection with the final BC Prospectus are described in section 2(9).

2.8 Amendments to Preliminary BC Prospectus

- (a) If an adverse Material Change occurs after a receipt is issued for a preliminary BC Prospectus but before a receipt is issued for the final BC Prospectus, the Issuer must file with the Exchange and the BCSC an amendment to the preliminary BC Prospectus disclosing the change as soon as practicable and in any event no later than 10 days after the change occurs. If the Material Change is not adverse, the Issuer may file an amendment to the preliminary BC Prospectus, but is not required to do so.
- (b) Any amendments to a preliminary BC Prospectus must be made in accordance with British Columbia Securities Laws.
- (c) The Issuer must file the following materials with the Exchange and the BCSC:
 - (i) one copy of the amendment to the preliminary BC Prospectus, signed by the Issuer's directors, officers and Promoters and by the Agent or Underwriter;
 - (ii) a certified copy of the directors' resolution approving the amendment and authorizing the directors and officers to sign the amendment;
 - (iii) signed or certified true copies of all material contracts related to the amendment, if applicable; and
 - (iv) signed consents, if required under British Columbia Securities Laws.

2.9 Documents to be Filed with Final BC Prospectus

After the Exchange has called for final materials (as described in section 2(7)), the Issuer must file the following with the Exchange and the BCSC:

- (a) one copy of the final BC Prospectus, signed by the Issuer's officers, directors and Promoters and by each Member or Participating Organization who is acting as the Agent or Underwriter for the offering. These certificates must be signed within three days before the date of the final BC Prospectus. The final BC Prospectus must be filed within 10 days of the date of the BC Prospectus;
- (b) one copy of the final BC Prospectus, black-lined to show changes from the preliminary BC Prospectus;

- (c) a signed consent letter, as required by British Columbia Securities Laws, from each of the Issuer's auditors and public accountants, including the public accountant who prepared the review engagement report;
- (d) a certified copy of directors' resolutions approving the final BC Prospectus and the financial statements and authorizing the directors to sign the balance sheet and the directors and officers to sign the final BC Prospectus;
- (e) if the BC Prospectus contains a summary of a Geological Report, signed consents as required under British Columbia Securities Laws and, if not previously filed, a signed copy of the final version of the Geological Report, referred to in the final BC Prospectus, accompanied by the author's certificates;
- (f) if the BC Prospectus contains a summary of a valuation or appraisal report, a signed copy of the final version of the valuation or appraisal report accompanied by the author's signed consent letter, as required by British Columbia Securities Laws;
- (g) signed consent letters from any other professional person named in the BC Prospectus, as required by British Columbia Securities Laws;
- (h) confirmation that a CUSIP number has been applied for and received for any securities offered which have not previously been assigned a CUSIP number;
- (i) a signed copy of the underwriting or agency agreement, if not filed previously;
- (j) a specimen certificate for any securities which were not previously listed, with the CUSIP number for that security printed on the specimen certificate; and
- (k) a covering letter to the Exchange listing the documents enclosed and confirming that the Issuer has filed with the BCSC the documents required by British Columbia Securities Laws.

2.10 Receipt for Final BC Prospectus

- (a) After the Exchange receives a final BC Prospectus and accompanying documents filed by an Issuer, the Exchange will check that the documents are in the form required by British Columbia Securities Laws. If any of the documents filed are deficient, the Exchange will notify the BCSC and the Issuer's counsel. Once the final BC Prospectus and accompanying documents are in the form required by British Columbia Securities Laws, the Exchange will request that the BCSC issued a receipt for the final BC Prospectus.
- (b) If the BCSC has received the documents it requires under British Columbia Securities Laws and the prescribed fee, it will issue by SEDAR a receipt for the final BC Prospectus.

2.11 Refusal to Issue Receipt

In reviewing the preliminary BC Prospectus and the final BC Prospectus, the Exchange will consider:

- (a) whether it would be prejudicial to the public interest to issue a receipt for the BC Prospectus; and
- (b) whether:
 - (i) the BC Prospectus or any record required to be filed with it,
 - (A) does not comply substantially with the applicable requirements of British Columbia Securities Laws; or
 - (B) contains a misrepresentation or a statement, estimate or forecast that is misleading, false or deceptive;
 - (ii) unconscionable consideration has been paid or given or is intended to be paid or given for any services or promotional purposes or for the acquisition of property;
 - (iii) the aggregate of
 - (A) the proceeds from the sale of the securities under the BC Prospectus that are to be paid into the treasury of the Issuer; and
 - (B) the other resources of the Issuerare insufficient to accomplish the purpose of the issue stated in the BC Prospectus;
 - (iv) the Issuer cannot reasonably be expected to be financially responsible in the conduct of its business because of the financial condition of the Issuer or that of its officers, directors, Promoters or Control Persons;
 - (v) because of the past conduct of the Issuer or that of its officers, directors, Promoters or Control Persons, the business of the Issuer may not be conducted with integrity and in the best interests of the shareholders of the Issuer;
 - (vi) the directors and officers of the Issuer lack the knowledge and expertise necessary to conduct the business of the Issuer in compliance with the law and in the best interests of the shareholders of the Issuer;

- (vii) such escrow or pooling agreement as is considered necessary or advisable with respect to the securities has not been entered into or the rights or restrictions that are considered necessary or advisable with respect to the securities have not been attached to the securities;
- (viii) a Person that has prepared or certified any part of the BC Prospectus or that is named as having prepared or certified a report or valuation used in or in connection with the BC Prospectus is not acceptable;
- (ix) an Issuer doing business primarily as an industrial company or natural resource company has as part of its name any of the following words: “Acceptance”, “Credit”, “Finance”, “Loan”, “Trust”, unless prior written approval has been obtained from the BCSC; or
- (x) if a minimum amount of funds is required by an Issuer distributing securities on a best efforts basis, the BC Prospectus does not indicate that the offering will cease if the minimum amount of funds is not subscribed for within 90 days after the date of the receipt for the final BC Prospectus, unless the consent of the BCSC and those Persons that subscribed within the 90 days is obtained.

2.12 Amendments to Final BC Prospectus

- (a) While a BC Prospectus is effective, if a Material Change occurs, the Issuer must immediately file an amendment with the Exchange and the BCSC disclosing the change. Any amendments to a final BC Prospectus must be made in accordance with British Columbia Securities Laws.
- (b) The Issuer must file the following materials for an amendment to a final BC Prospectus with the Exchange and the BCSC:
 - (i) one copy of the amendment to the final BC Prospectus, signed by the Issuer’s directors, officers and Promoters and by the Agent or Underwriter;
 - (ii) a certified copy of the directors’ resolution approving the amendment and authorizing the directors and officers to sign the amendment;
 - (iii) signed or certified true copies of all material contracts related to the amendment, if applicable; and
 - (iv) signed consents, if required under British Columbia Securities Laws.

2.13 Final Filings

- (a) Following the closing of the offering, the Member must promptly file with the Exchange a letter indicating:

- (i) the number and price of the securities distributed pursuant to the offering;
- (ii) the number of securities reserved for issuance pursuant to the offering; and
- (iii) the extent of any oversubscription pursuant to a greenshoe option.

2.14 BC Prospectus Offering Matters

(a) *Minimum Subscription*

The Exchange will require, unless the distribution is entirely a secondary distribution, a minimum amount net to the Issuer's treasury of \$200,000 either as an underwritten or as an agency offering. The minimum amount of the offering must be sufficient to accomplish the purposes of the offering and such minimum must be specified. The offering will be cancelled by the Exchange if the minimum amount is not reached.

(b) *Pricing*

- (i) If Listed Shares are being offered, then the offering price will generally be the Market Price. The minimum offering price will not normally be more than 20% lower than the Market Price and the maximum offering price will not normally be more than 20% higher than the Market Price. In any event, the offering price cannot be less than \$0.15.
- (ii) An announcement, by news release, will be made immediately by the Issuer or the Member to announce the terms of the offering. The Member will immediately reconfirm any order received subject to price by directly conveying the terms of the offering to any potential purchaser whose order was received subject to price.
- (iii) The Exchange may require that the offering price be amended if there is a Material Change in the affairs of the Issuer between the date the offering price is fixed and the closing of the offering.
- (iv) If the class of securities being offered is not a class of Listed Shares, then the minimum offering price must be \$0.15.

(c) *Unit Offering*

The following requirements apply to unit offerings comprising Warrants:

- (i) the total number of additional securities which may be issued pursuant to the exercise of Warrants cannot exceed the total number of securities initially issued as part of the unit offering;
- (ii) a Warrant in a unit offering must have an exercise price which is higher than the unit price and, if the unit price is at a discount to the Market Price, then the exercise price of the Warrant must be not less than the Market Price;

- (iii) the exercise period of a Warrant cannot exceed two years from the date of the BC Prospectus; and
- (iv) the issuance of a piggyback warrant upon exercise of a Warrant is not permitted.

2.15 Special Warrant Conversions Using a BC Prospectus

- (a) A BC Prospectus can be used to qualify the units or shares to be issued upon exercise of special warrants issued by an Issuer which is entitled to file a BC Prospectus.
- (b) The BC Prospectus must comply with section 2 of this Policy and the following additional requirements which apply to special warrant conversions:
 - (i) unless the placement of special warrants was non-brokered, the Agent or Underwriter's certificate must be signed by the Agent or Underwriter who acted as agent for the sale of the special warrants;
 - (ii) the use of proceeds section of the BC Prospectus must disclose:
 - (A) the proceeds from the special warrant private placement;
 - (B) whether any of the proceeds have been spent, and if so, a cross-reference to the detailed disclosure found elsewhere in the BC Prospectus; and
 - (C) the existing working capital as of a date within 30 days of the date of the final BC Prospectus, including the balance of the proceeds from the special warrant private placement;
 - (iii) if any placee will become an Insider on conversion of the special warrants, that fact must be disclosed in the BC Prospectus and the placee must submit an undertaking to file Insider reports with the BCSC;
 - (iv) the BC Prospectus must disclose the number and dollar value of any special warrants acquired by Agents or Underwriters; and
 - (v) an Agent or Underwriter who has purchased special warrants must provide a BC Prospectus to all subsequent purchasers of the securities acquired by the Agent or Underwriter on conversion of the special warrants as this trade is deemed by British Columbia Securities Laws to be a "distribution".

3. Alberta Exchange Offering Prospectus Distributions

3.1 Definitions

In this Policy:

"ASC Order" means the order of the ASC dated February 22, 1996 exempting Alberta Distributions from the Prospectus form and filing requirements of the *Securities Act* (Alberta);

“Alberta Distribution” means a distribution of securities in the Province of Alberta by an Alberta Issuer using an Alberta EOP as permitted by the ASC Order;

“Alberta EOP” means an exchange offering prospectus in the form prescribed by Form 4G;

“Alberta Issuer” means an Issuer:

- (a) whose securities have been listed on the Exchange (or The Alberta Stock Exchange) for at least 12 months before the date of the receipt for the preliminary Alberta EOP;
- (b) that is not in default under the policies of the Exchange or Alberta Securities Laws;
- (c) that meets the Tier Maintenance Requirements set out in Policy 2.5; and
- (d) that will meet the Minimum Listing Requirements for an industrial, oil and gas or a mining company set out in Policy 2.1 on achieving the minimum offering; or
- (e) an Issuer designated an Alberta Issuer by the Executive Director of the ASC.

“Alberta Qualifying Issuer” means an Issuer that has been conditionally accepted for listing on the Exchange as an oil and gas or mining company or an industrial company which has earned more than \$200,000 of gross revenue during its last complete financial year.

3.2 General

- (a) In accordance with the ASC Order, Alberta Issuers and Alberta Qualifying Issuers are permitted to conduct an Alberta Distribution in the Province of Alberta by complying with this Policy. The ASC Order exempts Alberta Distributions from the provisions of the *Securities Act* (Alberta) as to the form and content of prospectuses provided that the procedures of the Exchange set out in this Policy are complied with.
- (b) The ASC Order delegates the responsibility of reviewing an Alberta EOP by an Alberta Issuer to the Exchange. The review of Alberta EOPs by Alberta Qualifying Issuers is carried out by the ASC. Where an Issuer files an Alberta EOP in jurisdictions in addition to Alberta, the Issuer must comply with the applicable Securities Laws. Currently, an Alberta EOP may only be used for Alberta Distributions and may not be filed with any other Securities Commission.
- (c) Financing by way of an Alberta EOP is available to Alberta Issuers and Alberta Qualifying Issuers, provided that the gross proceeds from the distribution is not greater than \$5,000,000 and the distribution is completed by a Member of the Exchange. Financing through an Alberta EOP is not available to a Capital Pool Company which has not completed its Qualifying Transaction pursuant to Policy 2.4 - Capital Pool Companies or to a JCP which has not completed a Major Transaction (as defined in ASE Circular No. 7).

3.3 Alberta EOP Form

- (a) The Alberta EOP is intended to have a standard format for ease of reference and to do away with tables of contents and summaries. It is presumed that a potential investor will read the entire document, therefore bold face type, repetition and cross references are minimized. Summaries of income tax provisions, industry regulation, oil and gas and local real estate markets and government incentive programs need not be included. Facts necessary to apply such information, such as whether the Issuer qualifies for specified grants or incentives or the applicability of specific income tax rules, as well as lesser-known information, such as market conditions for new products, should be included.
- (b) The applicant must prepare an Alberta EOP in compliance with Form 4G and Exchange Requirements. There must also be full compliance with the requirements of Alberta Securities Laws and the prospectus review procedures of the ASC except as modified by the ASC Order or this Policy, including the following:
 - (i) the reference in section 105(1) of the *Securities Rules* (Alberta) to “five financial years” will instead be read as “two financial years”;
 - (ii) in the case of an Alberta Issuer which has completed a Reverse Take-Over or Qualifying Transaction (a “Transaction”), financial statements of the Issuer and of the acquired subsidiary prepared in accordance with Alberta Securities Laws must be included in the Alberta EOP. In addition, a pro forma balance sheet together with an auditors’ compilation report, prepared as at the date of the Transaction and which includes the effect of the Transaction, must be included. The pro forma balance sheet is not required if the Alberta EOP contains consolidated financial statements prepared as of a date subsequent to the Transaction.
 - (iii) in accordance with section 105(7) of the *Securities Rules* (Alberta), Issuers may make application for relief from having to file comparative audited financial statements in cases where the Issuer is unable to obtain the required information or the presentation of such information does not provide a meaningful comparison in the circumstances and the Executive Director of the ASC determines that a waiver of this requirement would not be prejudicial to the public interest;
 - (iv) any feasibility or other studies filed with the Exchange must be prepared in accordance with applicable Exchange Requirements; and
 - (v) the provisions of paragraphs 1.6, 1.7, 1.8, 1.9, 2 and 3 of ASC Policy 4.1 do not apply.
- (c) A preliminary Alberta EOP containing the information that is to be disclosed in the Alberta EOP, except for the price and number of securities offered and matters derived therefrom, can only be used to solicit expressions of interest from prospective purchasers provided that:
 - (i) a Member has signed the certificate required by the Alberta EOP;

- (ii) the Member is registered under the *Securities Act* (Alberta) to sell securities in the Province of Alberta;
- (iii) the preliminary Alberta EOP has been filed with the Exchange and accepted by the Exchange; and
- (iv) the preliminary Alberta EOP has been filed with the ASC and the ASC has issued a receipt for the preliminary Alberta EOP.

3.4 Filing Procedures

- (a) The following documents must be filed with the Exchange in connection with a preliminary Alberta EOP filing:
 - (i) two copies of the preliminary Alberta EOP, one copy with all required signatures manually signed;
 - (ii) one manually signed copy of all Geological Reports, market studies, appraisal reports, feasibility studies or such similar reports, if any;
 - (iii) if the auditors' report is unsigned, one manually signed copy of the comfort letter;
 - (iv) one manually signed or certified copy of all directors' resolutions certified under seal by an officer of the Issuer, approving the preliminary Alberta EOP and the financial statements included therein and authorizing the signing thereof. Also one manually signed or notarially certified copy of a resolution of the board of directors of every Company (other than the Issuer or an Agent or Underwriter) that has signed the preliminary Alberta EOP authorizing the signing thereof;
 - (v) one manually signed or in the case of material contracts one notarially certified copy of all other documents required by item 13 of Form 4G and not referred to above;
 - (vi) one manually executed PIF (Form 2A) for each director, officer, Promoter, key employee, key consultant, Insider and Control Person of the Issuer; and
 - (vii) the applicable filing fee as prescribed by Policy 1.3 - Schedule of Fees.
- (b) The following documents must be filed with the ASC in connection with a preliminary Alberta EOP filing:
 - (i) three copies of the preliminary Alberta EOP, one copy with all required signatures manually signed;
 - (ii) two manually signed copies of all Geological Reports, market studies, appraisal reports, feasibility studies or such similar reports, if any;
 - (iii) if the auditors' report is unsigned, one manually signed copy of the comfort letter;

- (iv) one manually signed or certified copy of all directors' resolutions certified under seal by an officer of the Issuer, approving the preliminary Alberta EOP and the financial statements included therein and authorizing the signing thereof. Also one manually signed or notarially certified copy of a resolution of the board of directors of every Company (other than the Issuer or an Agent or Underwriter) that has signed the preliminary Alberta EOP authorizing the signing thereof;
 - (v) one manually signed or in the case of material contracts one notarially certified copy of all other documents required by item 13 of Form 4G and not referred to above;
 - (vi) a letter from the Exchange confirming conditional listing acceptance of the shares to be offered if a representation to that effect is made in the preliminary Alberta EOP;
 - (vii) one manually executed PIF (Form 2A) for each director, officer, Promoter, key employee, key consultant, Insider and Control Person of the Issuer; and
 - (viii) the fee required by the *Securities Act* (Alberta).
- (c) The Exchange will review the preliminary Alberta EOP and supporting documentation filed by an Alberta Issuer and will normally provide comments on the preliminary Alberta EOP to the Issuer within seven business days of the date of the preliminary receipt.
- (d) In the case of a Alberta Qualifying Issuer, the ASC will review the preliminary Alberta EOP and supporting documentation filed by an Alberta Qualifying Issuer and will normally provide comments on the preliminary Alberta EOP to the Issuer within ten business days of the date of the preliminary receipt.
- (e) After the Issuer has satisfied the Exchange in the case of an Alberta Issuer, or the ASC in the case of a Alberta Qualifying Issuer, with respect to each of their comments, the Issuer may file final Alberta EOP materials with the Exchange and the ASC.
- (f) The following documents must be filed with the Exchange in connection with a final EOP filing:
- (i) two copies of the final Alberta EOP, one copy black-lined to show changes from the preliminary Alberta EOP and one copy with all required signatures manually signed;
 - (ii) as soon as available, one copy of the commercially printed Alberta EOP as delivered to purchasers of the securities offered;
 - (iii) one manually signed copy of the underwriting or agency agreement;

- (iv) one manually signed or in the case of material contracts one notarially certified copy of all other documents set out in item 13 of Form 4G and not previously filed with the Exchange;
 - (v) one manually signed copy of all consents required by section 85 of the *Securities Rules* (Alberta);
 - (vi) one manually signed copy of the comfort letter in respect of the unaudited financial statements; and
 - (vii) one manually signed or certified copy of all directors' resolutions certified under seal by an officer of the Issuer, approving the Alberta EOP and the financial statements included therein and authorizing the signing thereof. Also one manually signed or notarially certified copy of a resolution of the board of directors of every Company (other than the Issuer or an Agent or Underwriter) that has signed the Alberta EOP authorizing the signing thereof.
- (g) The following documents must be filed with the ASC in connection with a final Alberta EOP filing:
- (i) three copies of the final Alberta EOP, one copy black-lined to show changes from the preliminary Alberta EOP and one copy with all required signatures manually signed;
 - (ii) as soon as available, two copies of the commercially printed Alberta EOP as delivered to purchasers of the securities offered;
 - (iii) one manually signed copy of the underwriting or agency agreement;
 - (iv) one manually signed or in the case of material contracts one notarially certified copy of all other documents set out in item 13 of Form 4G and not previously filed with the ASC;
 - (v) one manually signed copy of all consents required by section 85 of the *Securities Rules* (Alberta);
 - (vi) one manually signed copy of the comfort letter in respect of the unaudited financial statements; and
 - (vii) one manually signed or certified copy of all directors' resolutions certified under seal by an officer of the Issuer, approving the Alberta EOP and the financial statements included therein and authorizing the signing thereof. Also one manually signed or notarially certified copy of a resolution of the board of directors of every Company (other than the Issuer or an Agent or Underwriter) that has signed the Alberta EOP authorizing the signing thereof.

- (h) The Alberta EOP will be printed or otherwise reproduced in a manner satisfactory to the Exchange and in accordance with the Alberta Securities Laws at the expense of the Issuer.
- (i) The Alberta EOP cannot be distributed by the Member to its clients or other Members until the Alberta EOP has been accepted by the Exchange, and the ASC has issued a receipt for the Alberta EOP.
- (j) The Issuer shall provide the Exchange with as many copies of the Alberta EOP as the Exchange requires for distribution to Members.
- (k) Wherever additional or subsequent information is filed with the ASC, the same information must be filed with the Exchange.

3.5 Alberta EOP Offering Matters

(a) *Minimum Subscription*

The Exchange will require, unless the distribution is entirely a secondary distribution, a minimum amount net to the Issuer's treasury of \$200,000 either as an underwritten or as an agency offering. The minimum amount of the offering must be sufficient to accomplish the purposes of the offering and such minimum must be specified. The offering will be cancelled by the Exchange if the minimum amount is not reached.

(b) *Pricing*

- (i) If Listed Shares are being offered, then the offering price will generally be the Market Price. The minimum offering price will not normally be more than 20% lower than the Market Price and the maximum offering price will not normally be more than 20% higher than the Market Price. In any event, the offering price cannot be less than \$0.15.
- (ii) An announcement, by news release, will be made immediately by the Issuer or the Member to announce the terms of the offering. The Member will immediately reconfirm any order received subject to price by directly conveying the terms of the offering to any potential purchaser whose order was received subject to price.
- (iii) The Exchange may require that the offering price be amended if there is a Material Change in the affairs of the Issuer between the date the offering price is fixed and the closing of the offering.
- (iv) If the class of securities being offered is not a class of Listed Shares, then the minimum offering price must be \$0.25.

(c) Filings

- (i) Where the Exchange deems it necessary, the Issuer or the Member will file with the Exchange by noon on the day prior to the closing of the offering a statement of trading in the security for the two previous weeks in any accounts in which the Member, any Member acting as jitney for the offering, the Issuer or the Promoter or any of their partners, officers or directors, or Associates has any direct or indirect interest. An additional statement may be required after the close of trading on that day to update the information for any trading by these individuals in the security. Any trading in such accounts will be subject to review by the Exchange.
- (ii) The Issuer or the Member will file with the Exchange by noon on the day before the closing of the offering a statement as to the intended subscriptions to the offering by Insiders of the Issuer, whether directly or indirectly, and the size of each Insider's intended subscription. Any subscriptions by Insiders in the aggregate of 30% or more of the offering may be subject to review by the Exchange.
- (iii) The Member and any Members for whom the Member is acting on a jitney basis will file with the Exchange on the day before the closing of the offering a statement showing the name and address of each of its clients subscribing for 5% or more of the offering.
- (iv) Following the closing of the offering, the Member will promptly file with the Exchange a statement indicating that a sufficient number of subscriptions has been received to meet the distribution and financial requirements for listing.
- (v) The Exchange has the right to inspect the Member's orders and orders of Members purchasing to determine whether a bona fide distribution has been accomplished. If, in the opinion of the Exchange, a bona fide distribution has not been accomplished, the offering may be cancelled by the Exchange. Members shall provide the Exchange with a summary, in the form provided by the Exchange, of the number and sizes of client orders.
- (vi) In any event, the securities will be posted for trading at a time decided by the Exchange only after the Exchange is satisfied that a bona fide distribution has occurred.
- (vii) On completion of the Alberta Distribution accepted by the Exchange, the Issuer must promptly issue a news release announcing the successful distribution.
- (viii) In the case of over-subscription, allotment of securities offered under the offering will be completed by filling all client orders in priority to Pro Group orders. Thereafter, client orders from other Members and Participating Organizations will be filled on a pro rata basis.

(d) Unit Offerings

The following requirements apply to unit offerings comprising Warrants:

- (i) the total number of additional securities which may be issued pursuant to the exercise of Warrants cannot exceed the total number of securities initially issued as part of the unit offering;
- (ii) a Warrant in a unit offering must have an exercise price which is higher than the unit price under the Alberta EOP;
- (iii) the exercise period of a Warrant cannot exceed one year from the date of the Alberta EOP; and
- (iv) the issuance of a piggyback warrant upon exercise of a Warrant is not permitted.

(e) *Secondary Distributions*

A secondary distribution of securities is permitted. However, if an offering consists of both a primary and a secondary distribution, the primary distribution must be completed before the commencement of the secondary distribution and the price of the secondary distribution must be the same as the primary distribution. The selling shareholders of any secondary offering must bear a proportionate share of the Member's commission and offering costs.

(f) *Short Sales*

Any securities purchased by the Member or a Member for which it is acting as jitney under an Alberta Distribution cannot be delivered directly or indirectly against a short sale made previously.

(g) *Market Balancing*

The Exchange may require that the Member make market balancing transactions on one or both sides of the market in the offered security so that trading remains orderly.

(h) *Amendments to Alberta EOP*

The Issuer must file with the Exchange and the ASC any amendment updating the Alberta EOP during any distribution when there is a Material Change in its affairs and when the Issuer releases each quarter's financial results. Any amendment must comply with the provisions of Alberta Securities Laws.

(i) *Discretionary Powers*

Any Alberta Distribution will be subject to acceptance by the Exchange and approval by the ASC. The Exchange and the ASC may, in their discretion, waive or impose additional requirements for Alberta Distributions or refuse to allow an Alberta EOP.

3.6 Special Warrant Conversions Using an Alberta EOP

- (a) An Alberta EOP can be used to qualify for distribution securities issuable upon the exercise of special warrants. In all cases, the preliminary Alberta EOP and the Alberta EOP must include a signed underwriter's certificate prepared in accordance with Alberta Securities Laws. If the special warrant offering consists of an offering of units comprised of special warrants and warrants, the Alberta EOP may be used to qualify for distribution the securities issuable upon the exercise of special warrants, the warrants and the shares issuable upon exercise of the warrants. The requirements relating to units above also apply to a special warrant offering of units.
- (b) The closing of the offering must not be less than one day after mailing of the Alberta EOP and not more than ninety days after the date of the final receipt.
- (c) No additional consideration is required to be tendered by the holders of the special warrants upon the exercise of the special warrants.
- (d) The Issuer or the Member must file with the Exchange by the close of business on the day before the closing of the offering a statement as to the holders of special warrants who intend to exercise their special warrants.
- (e) On the completion of the Alberta Distribution, the Issuer must promptly issue a news release announcing the successful distribution. Commencement of trading may be delayed on the closing of the offering to allow for dissemination of the news release.
- (f) If the Issuer has relied on the ASC Order in making a private placement offering of special warrants, the special warrant offering must comply with all terms of the ASC Order.

4. Agent Compensation for a BC Prospectus or Alberta EOP

4.1 Member's Commission

A Member is free to negotiate its selling commission with the Issuer.

4.2 Other Commissions

If persons receiving commissions are not Members, refer to Policy 5.1 – Loans, Bonuses, Finder's Fees and Commissions for a calculation of the maximum commission that can be paid.

4.3 Agent's Option

A Member may be granted a non-transferable agent's option ("Agent's Option") entitling it to subscribe for up to 25% of the total number of securities offered for sale under a BC Prospectus or Alberta EOP. The exercise price of the Agent's Option will be:

- (a) the offering price per share if the option is exercisable for shares only; or

- (b) the offering price per unit if the option is exercisable for units. Any Warrants underlying the units will be exercisable at the same price as the Warrants underlying the units offered to the public. The Agent's Option will expire if not exercised within two years from the date of issuance.

4.4 Selling Group Compensation

A Member may offer part of the commissions or Agent's Option from an offering to other licensed broker dealers and investment dealers who participate in a selling group. However, the allocation of the Agent's Option must be reported to the Exchange on conclusion of the offering.

4.5 Greenshoe Option

An Issuer may grant a greenshoe option to an Agent or Underwriter to acquire further securities offered under a BC Prospectus or Alberta EOP in accordance with the following:

- (a) the option must be limited to the lesser of 15% of the total number of securities involved in the offering or the actual number of securities sold by way of over-subscription;
 - (b) the number of securities under option will be determined on the closing date;
 - (c) the exercise price of the option must be at or above the same price as the net price of the securities to the Issuer's treasury;
 - (d) the exercise period cannot exceed 60 calendar days after the closing date; and
 - (e) the Agent or Underwriter must advise the Exchange of the extent of any over-subscription at the time of closing of the offering.
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