POLICY 4.3

SHARES FOR DEBT

Scope of Policy

If an Issuer is unable, or in certain circumstances unwilling, to make payment in cash for debts, the Issuer can negotiate with its creditors to settle outstanding debts by issuing shares. This type of transaction requires Exchange Acceptance before the Issuer issues the shares.

This Policy outlines the Exchange's policies on the issuance of shares for debt.

The main headings in this Policy are:

1. General Requirements

1.1 **"Shares for Debt"** refers to the issuance of shares to settle trade or other accounts which would normally be paid in cash. Warrants cannot be issued to settle debt.

1.2 A shares for debt settlement must be accepted by the Exchange before any shares are issued. Shares for debt transactions are deemed material by the Exchange; the Issuer must issue a news release upon settlement. The Issuer must apply to the Exchange for acceptance within 30 days after the agreement to issue shares for debt is reached.

1.3 The Exchange will consider the individual circumstances of each shares for debt transaction, including the following matters:

(a) **Need**

The Issuer must have no funds or immediate source of funds, or all the Issuer's funds on hand must be otherwise committed.

(b) **Shareholder Approval**

If the issuance of shares could result in an effective or absolute change of control, the Issuer must obtain shareholder approval of the specific transaction. The information provided to shareholders when seeking approval must include the names of the new control person(s) and the details of the transaction relating to the change in control.

(c) **Hold Periods**

All Listed Shares issued in a shares for debt settlement (regardless of the prospectus exemption which is used) must be legended to impose a four month Exchange hold period on the Listed Shares from the date of issuance of the securities.

See Policy 3.2 - Filing Requirements and Continuous Disclosure for legending requirements.

(d) **Deemed Value**

The deemed price per share at which the debt is converted must be not less than the Discounted Market Price.

See the definition of Discounted Market Price in Policy 1.1 - Interpretation.

2. Restrictions on Debt Restructuring Plans

2.1 A Tier 2 Issuer must not issue, as part of a debt settlement plan, more than 100% of the number of the Issuer's Listed Shares outstanding, excluding any other securities which are proposed to be issued as part of a subsequent private or public financing, unless:

(a) the plan is approved by disinterested shareholders of the Issuer; and

(b) if the Issuer is Inactive, all Listed Shares issued to Insiders, or individuals who will become Insiders as a result of the transaction, are subject to an escrow requirement in accordance with Policy 5.4 - Escrow and Vendor Consideration.

2.2 The Exchange can waive the escrow requirement for arm's length creditors who become Insiders solely because of Listed Shares they received as a result of the debt settlement.

2.3 If, within one year after a debt settlement, the Issuer undertakes a Major Acquisition (as defined in Policy 5.3 - Acquisitions and Dispositions of Non-Cash Assets) where the business or asset acquired is not in the same industry sector as the Issuer's current business and the transaction results in the issuance of at least 100% of the Issuer's Listed Shares, the Exchange can deem the transaction to be a Change of Business or a Reverse Take-Over.

2.4 If a share consolidation is proposed or planned as part of an Issuer's debt settlement restructuring plan, then the minimum deemed issuance price of any shares to be issued as part of the debt settlement must be the Discounted Market Price multiplied by the consolidation ratio.

3. Filing Requirements

The Issuer must file with the Exchange the Shares for Debt Filing Form (Form 4H) together with the materials listed in the Shares for Debt Filing Form (many of which help establish that the debt is legitimate) and the applicable fee as prescribed in Policy 1.3 - Schedule of Fees.

4. Denial of Acceptance

The Exchange can deny acceptance of any shares for debt settlement and will generally deny acceptance if:

(a) the amount of debt is unsubstantiated by the financial statements or any other satisfactory evidence;

(b) the debt is alleged to be an accrued account but is not accounted for in the historical financial statements;

(c) the Issuer has conducted a series of shares for debt transactions and appears to use this procedure to raise funds rather than using other conventional methods available to it;

(d) the proposed agreement calls for the settlement of future debts by an issuance of shares at the Discounted Market Price in effect on the agreement date. The issuance of shares for debt must not be a pre-determined arrangement;

(e) the Issuer proposes a shares for debt settlement with a small number of preferred creditors, who are offered terms more favourable than terms offered other creditors who are approached around the same time;

(f) the debt relates to management fees of more than $2,500 per month;

(g) the debt arises from an investor relations services contract; or

(h) the debt arises in payment of outstanding property option payments.