

POLICY 5.2

CHANGES OF BUSINESS AND REVERSE TAKE-OVERS

Scope of Policy

This Policy applies to a transaction or series of transactions entered into or proposed to be entered into by an Issuer, which result in a Change of Business (“COB”) or Reverse Take-Over (“RTO”). This Policy describes the filing and related procedures for a COB or RTO. The provisions of this Policy relating to COBs do not generally apply to Tier 1 Issuers.

The main headings in this Policy are:

1. Definitions
2. Public Disclosure
3. Sponsorship and Trading Halt
4. Shareholder Approval
5. Procedural Steps
6. Minimum Listing Requirements and/or Tier Maintenance Requirements
7. Vendor Consideration and Escrow
8. Treasury Orders and Resale Restrictions
9. Financial Statements
10. Other Requirements

1. Definitions

In this Policy:

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

- (a) the assets, business, property or interest therein to be acquired, the acquisition of which will constitute the COB or RTO;
- (b) the parties to the COB or RTO;
- (c) the value of the assets, business, property or interest therein and the consideration to be paid or otherwise how the consideration will be determined; and
- (d) the conditions to any further formal agreements or completion of the COB or RTO.

“Change of Business” or **“COB”** means a transaction or series of transactions which will redirect an Issuer’s resources toward a business which is of a substantially different nature than its current business, so that over the next 12 months at least 25% of the assets, liabilities, planned expenditures or revenues, management time commitment or issued shares of the Issuer will be devoted to the new business.

“Completion Date” means the date an Exchange Notice is issued by the Exchange confirming that the COB or RTO has been completed and that final Exchange Acceptance has been granted.

“Initial Documents” means the documents referred to in section 5.2 of this Policy.

“Initial Submission Date” means the date the Initial Documents are received by the Exchange.

“Post-Meeting Documents” means the documents referred to in section 5.11 of this Policy.

“Pre-Meeting Documents” means the documents referred to in section 5.6 of this Policy.

“Related Parties to the Issuer” means any Person who is a Related Party of the Issuer and any Promoter, including as defined in Policy 3.4 - Investor Relations, Promotional and Market-Making Activities.

“Related Parties to the COB or RTO” means the Sellers, any Related Parties of the Sellers, the Target Issuer and any Related Parties of the Target Issuer.

“Resulting Issuer” means the Issuer existing on the Completion Date.

“Reverse Take-Over” or **“RTO”** means a transaction or series of transactions, which results in at least one item from each of paragraph (a) and (b) below:

(a) any one or more of:

- (i) a Change of Business, or
- (ii) a Fundamental Acquisition;

and

(b) any one or more of:

- (i) a Change of Control; or
- (ii) a Change of Management of the Issuer;
- (iii) the issuance of more than 100% of the number of outstanding securities that were outstanding before the transaction(s); or

- (iv) new shareholders owning more than 50% of the securities or voting control of the Issuer through newly issued securities, a transfer of previously issued securities privately or through the Exchange or a combination of such issuances and transfers;

unless:

- (c) the newly issued securities as described in (b) are to be issued to the shareholders of an Issuer listed on a Canadian stock exchange or NASDAQ under a formal bid made pursuant to Securities Laws.

“Sellers” means one or all of the beneficial owners of the assets, property, business or interest being purchased, optioned or otherwise acquired in the COB or RTO.

“Target Issuer” means the beneficial owner of the assets, business, property or interest therein to be acquired as part of the COB or RTO, if the acquisition is to be conducted by acquiring the securities of the target issuer, by security purchase agreement, take-over bid, amalgamation, plan of arrangement or any other corporate reorganization. If the context reasonably requires, “Target Issuer” also means the beneficial owner of the assets, business, property or interest therein to be acquired, where the assets, business, property or interest therein will be acquired by asset acquisition (not security purchase), and the assets constitute the principal assets of the Seller or a division of the Seller.

2. Public Disclosure

2.1 Initial News Release

When an Agreement in Principle is reached, the Issuer must immediately prepare and submit to the Corporate Finance Department of the Exchange for review, a comprehensive news release that must include:

- (a) the date of the agreement;
- (b) a description of the assets, business, property or interest therein to be acquired, including:
 - (i) the industry sector in which the Issuer will be involved upon the Completion Date,
 - (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 date it was prepared);

- (c) a description of the terms of the COB or RTO including the amount of proposed consideration, how the consideration will be paid and specifying the amounts to be paid by way of cash, securities, indebtedness or other means;
- (d) the location of the assets, business, property or interest therein to be acquired and, in the case of the acquisition of a Target Issuer, the jurisdiction of incorporation or creation of the Target Issuer;
- (e) the full names and jurisdictions of residence of each of the Sellers and, if any of the 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 of the Issuer in the assets, business or property to be acquired;
 - (ii) whether any Related Parties of the Issuer are Insiders of any Target Issuer; and
 - (iii) any relationship between or among the Related Parties of the Issuer and the Related Parties of the COB or RTO;
- (g) the names and backgrounds of all Persons who will constitute Principals of the Resulting Issuer;
- (h) a description of any financing arrangements for or in conjunction with the COB or RTO including the amount, security, terms and use of proceeds;
- (i) a description of any deposit or loan to be made;
- (j) an indication of any significant conditions required to complete the COB or RTO;
- (k) if a Sponsor has been retained, identification of the Sponsor of the COB or RTO 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 disinterested 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 and/or Filing Statement] to be prepared in connection with the transaction, any information released or received with respect to the [COB or RTO] may not be accurate or complete and should not be relied upon. Trading in the securities of [insert name of Issuer] 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 statement:

“[Insert name of Sponsor], subject to completion of satisfactory due diligence, has agreed to act as sponsor to [Insert name of Issuer] 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 coordinate the timing of the news release with the Issuer in order to ensure proper dissemination.

2.2 Subsequent News Releases

The Issuer must issue a news release:

- (a) every 30 days following the trading halt referred to in section 3, to update the status of the COB and RTO;
- (b) when a Sponsor is retained or if a Sponsor has not been retained at the date of the initial news release;
- (c) every time there is a Material Change or material event relating to the COB or RTO; and
- (d) when the COB and RTO has closed.

3. Sponsorship and Trading Halt

3.1 Trading Halt

As soon as an Issuer notifies the Exchange of a proposed COB or RTO, the Listed Shares of the Issuer will be immediately subject to a trading halt. Trading may be halted again if documentation is not submitted within the periods required or if the Sponsor terminates the Sponsorship Agreement.

3.2 When a Sponsor is Required

All Issuers must retain a Sponsor to prepare a Sponsor Report for an RTO. All Issuers, other than Tier 1 Issuers, must retain a Sponsor to prepare a Sponsor Report for a COB.

3.3 Requirements for Reinstatement of Trading

The Listed Shares of the Issuer will be reinstated for trading only after:

- (a) the Exchange receives a Sponsorship Acknowledgement Form from a Sponsor, together with a letter from the Sponsor requesting that the Listed Shares of the Issuer be reinstated for trading;
- (b) the Exchange receives a duly completed Personal Information Form for each person who will upon completion of the transaction be a director, senior officer, Promoter or other Insider of the Resulting Issuer;
- (c) the Exchange completes all preliminary background searches; and
- (d) the Issuer completes a pre-filing conference with the Exchange to assess, on a preliminary basis, the ability of the Issuer to satisfy Exchange Requirements following the COB or RTO and to review any potential significant issues involving the COB or RTO. *See Policy 2.7 – Pre-Filing Conferences.*

3.4 Sponsor Report

- (a) The Sponsor Report must comply with the Exchange Requirements. *See Policy 2.2 - Sponsorship and Sponsorship Requirements.* The Exchange can waive the requirement for a Sponsor Report if it is not necessary based on the nature and extent of the new business to be entered into.
- (b) A preliminary Sponsor Report must be submitted before the Exchange will give conditional acceptance of the proposed transaction and before the Issuer mails the Information Circular or publishes any Filing Statement. The preliminary Sponsor Report will only be provided when the Sponsor has substantially completed its due diligence and is reasonably satisfied that no significant issues will arise on completion of the balance of the due diligence review.
- (c) A final Sponsor Report must be submitted to the Exchange before the Exchange issues the Exchange Notice confirming the Completion Date.

4. Shareholder Approval

- 4.1 An Issuer must obtain shareholder approval of a COB or RTO before the Completion Date.
- 4.2 Shareholder approval must be obtained by way of a resolution passed by a majority of the votes cast at a duly called meeting of shareholders other than votes attaching to securities beneficially owned by Related Parties to the COB or RTO.

5. Procedural Steps

5.1 Information Circular or Filing Statement

(a) The Issuer must prepare a draft Information Circular or Filing Statement disclosing all material facts relating to the COB or RTO. Any Information Circular must be prepared in accordance with the requirements of applicable Securities Laws. In addition, any Information Circular or Filing Statement prepared for an RTO must contain prospectus level disclosure and include the information required by the Exchange Information Circular Form (Form 3A). Any Information Circular or Filing Statement for a COB must include the information required by the Filing Statement for a Non-RTO Transaction (Form 5A).

(b) The cover page of the Information Circular or Filing Statement must contain the following statement:

“The Canadian Venture Exchange has not in any way passed upon the merits of the transactions described herein and any representation to the contrary is an offence.”

(c) The Information Circular or Filing Statement must include a manually executed certificate page signed by the Chief Executive Officer, Chief Financial Officer and two other directors of the Issuer which certifies as follows:

“The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of [insert name of Issuer], assuming the completion of the [describe transaction].”

(d) If an RTO or COB involves the acquisition of a Target Issuer, the Information Circular or Filing Statement must 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 the [insert name of the Target Issuer].”

(e) If:

(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) the Resulting Issuer will be an industrial, technology, real estate, investment or research and development 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,

the Information Circular or Filing Statement must include a manually executed certificate page signed by a duly authorized officer of the Sponsor that certifies as follows:

“To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of [insert name of Issuer], assuming the completion of the [describe transaction].”

- (f) The Initial Documents must be filed with the Exchange within 60 days after the news release announcing the Agreement in Principle. Failure to submit documents may result in trading being halted.

5.2 Initial Documents

The Initial Documents include:

- (a) draft copies of the Information Circular, notice of meeting and form of proxy or the draft Filing Statement;
- (b) a covering letter from the Issuer (or, with the consent of the Issuer, from the Target Issuer) giving notice of the proposed COB or RTO and providing the following information:
 - (i) the name of the Issuer;
 - (ii) a summary of the transaction, identifying any unusual terms;
 - (iii) the particular registration and prospectus exemptions, if any, being relied upon if securities are to be issued as part of the transaction;
 - (iv) a list of the documents enclosed; and
- (c) one copy of each material contract that the Issuer has entered into in the last 12 months which has not been previously filed with the Exchange and any material contract of any Target Issuer currently in existence including any agreement by the Issuer to loan or advance funds to the Target Issuer;
- (d) a copy of each Geological Report or other technical report required to be filed with the Exchange and a certificate of qualifications and independence from the author of each report;
- (e) a copy of the audited financial statements, unaudited financial statements (subject to review engagement report) and pro forma financial statements (subject to compilation report) as required pursuant to section 9 of this Policy;

- (f) management prepared financial statements of any Target Issuer, to the most recent month's end;
 - (g) in the case of a non-resource Issuer, a copy of a business plan for the next 12 month period;
 - (h) each valuation or appraisal prepared in support of the valuation being ascribed to the Significant Assets, including a certificate of independence and qualification from the author;
 - (i) details of any other evidence of value as contemplated by Policy 5.4 – Escrow and Vendor Consideration; and
 - (j) the applicable fee for the initial review of the application as prescribed by Policy 1.3 - Schedule of Fees.
- 5.3 The Exchange reviews the Initial Documents, including the draft Information Circular or Filing Statement and advises the Issuer of any deficiencies.
- 5.4 The Issuer resolves all deficiencies to the satisfaction of Exchange staff.
- 5.5 The Sponsor provides the Exchange with the preliminary Sponsor Report. The application is submitted to the Listings Committee for consideration. If the transaction is accepted, the Exchange issues a conditional acceptance letter advising that the application has been accepted subject to certain conditions and submission and satisfactory review of all Pre-Meeting Documents and all Post-Meeting Documents.

5.6 Pre-Meeting Documents

The Issuer files its Pre-Meeting Documents with the Exchange. The Pre-Meeting Documents include:

- (a) for an RTO, a copy of the Information Circular including the notice of meeting and the form of proxy;
- (b) for a COB, a copy of the Information Circular including the notice of meeting and the form of proxy (or Filing Statement);
- (c) the Information Circular or Filing Statement must include final copies of the financial statements as required by section 9 of this Policy, including balance sheets originally signed by two directors and originally signed auditor's reports, review engagement reports or compilation reports as the case may be;
- (d) a copy of any material contract or agreement previously filed with the Exchange in draft form;

- (e) a consent letter from any auditor, engineer, appraiser or other expert (an “Expert”) named in the Information Circular or Filing Statement 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 Information Circular. The letter must consent to the inclusion or reference in the Information Circular (or Filing Statement) of the Expert’s Report and state that he has read the Information Circular (or Filing Statement) and has no reason to believe that there are any misrepresentations contained in the Information Circular (or Filing Statement) which are derived from his Expert’s Report or of which he is otherwise aware;
 - (f) a copy of the directors’ resolution approving the Information Circular or Filing Statement and authorizing the signing of the Information Circular or Filing Statement, certified by an officer of the 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 Issuer;
 - (g) a copy of a directors’ resolution authorizing the signing of the Information Circular or Filing Statement, 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
 - (h) the final executed copy of the Sponsor Report.
- 5.7 Once the Exchange advises that the Pre-Meeting Documents have been accepted for filing, the notice of meeting, proxy and Information Circular are mailed to the shareholder of the Issuer and filed with the Exchange. In the case of a Filing Statement, the Filing Statement is filed with the Exchange and a news release is issued. The Issuer will then immediately file any notice of meeting, proxy and Information Circular or Filing Statement with the Securities Commission(s) via SEDAR.
- 5.8 Subject to section 4.3, the Issuer’s shareholder meeting is held to consider the proposed COB or RTO. If the requisite shareholder approval is obtained, the Issuer closes the COB or RTO (subject to final Exchange Acceptance) and completes or closes any concurrent transactions. Any concurrent transactions must also be disclosed in the Information Circular or Filing Statement, accepted by the Exchange and, if necessary, approved by shareholders.
- 5.9 Upon closing of the COB or RTO, the Resulting Issuer issues a news release disclosing all material changes and any outstanding conditions before filing the Post-Meeting Documents. The Resulting Issuer should contact the Exchange before issuing of the news release to coordinate the timing of release.

5.10 Management of the Resulting Issuer must coordinate the timing of any name change or stock consolidation/split with the Exchange so that any change to a corporate name, any consolidation, stock split or reclassification of securities is effected as soon as possible for trading purposes after becoming legally effective. The Issuer must advise all Persons who are issued share certificates that give effect to any such change that their certificates may not be accepted for delivery or transfer until the change becomes effective for trading purposes. *See Policy 5.8 - Name Change, Share Consolidations and Splits.*

5.11 Post-Meeting Documents

The Issuer must file the Post-Meeting Documents with the Exchange. The Post-Meeting Documents include:

- (a) a certified copy of the Scrutineer's Report which details the results of the vote on the resolution to approve the transaction (or other satisfactory evidence of shareholder approval) confirming that no Related Parties of the Issuer or Related Parties of the COB or RTO 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 original or notarially certified copy of any escrow agreement(s) required to be entered into by section 7 of this Policy;
 - (c) a legal opinion stating all closing conditions except Exchange Acceptance have been satisfied, that the Resulting Issuer is the legal and beneficial owner of the assets, business, property or interest therein that was acquired under the COB or RTO, that all securities issued were validly and properly issued, that all Listed Shares issued were issued as fully paid and non-assessable and that all Listed Shares issuable on the exercise of any convertible securities will be validly issued as fully paid and non-assessable shares; and
 - (d) the balance of the applicable fee prescribed by Policy 1.3 - Schedule of Fees.
- 5.12 If the Post-Meeting Documents are satisfactory, the Exchange issues an Exchange Notice confirming the Completion of the Transaction and indicating any new name or stock symbol.
- 5.13 On the day after the issuance of the Exchange Notice, the Resulting Issuer issues a news release confirming the Completion of the Transaction or and disclosing any material facts or material changes.
- 5.14 At the opening of trading on the next trading day, the shares of the Resulting Issuer will commence trading.

6. Minimum Listing Requirements and/or Tier Maintenance Requirements

- 6.1 When an Issuer undergoes an RTO, before the Completion Date, the Resulting Issuer must satisfy the Exchange's Minimum Listing Requirements for a particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.1 - Minimum Listing Requirements, except that public distribution must meet the Tier Maintenance Requirements as prescribed in Policy 2.5 - Tier Maintenance Requirements.
- 6.2 References in Policy 2.1 to prior expenditures of the applicant Issuer, will mean prior expenditures of the Target Issuer or Seller(s) of the Significant Assets. References in Policy 2.1 to Working Capital, Financial Resources or Net Tangible Assets of the Issuer will mean the consolidated working capital, financial resources and Net Tangible Assets of the Resulting Issuer.
- 6.3 When an Issuer undergoes a COB, before the Completion Date, the Resulting Issuer must satisfy the Exchange's Tier Maintenance Requirements for a particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.5 - Tier Maintenance Requirements.
- 6.4 The Resulting Issuer must meet certain distribution requirements upon completion of the COB or RTO. Subject to compliance by all parties with applicable Securities Laws and Exchange Requirements, with prior Exchange Acceptance, the Exchange will permit a trade or trades through the facilities of the Exchange if:
- (a) the trade or trades take place immediately after the dissemination of the Information Circular or Filing Statement so that prospective purchasers have information on which to base their investment decision;
 - (b) the Sponsor makes the trade or trades to not more than 200 persons and advises all potential purchasers that they have no withdrawal or rescission rights;
 - (c) the Sponsor makes a bona fide offering of the total amount of the stock to be traded to "public investors" as defined in the Client Preference Rule (as defined in Exchange Rules);
 - (d) the price of the trades is determined by negotiation between the selling shareholders and the Sponsor as would be the case for an IPO; and
 - (e) the Sponsor provides a distribution list to the Exchange identifying the name of the selling shareholder and the Prospectus exemption or statutory order relied upon, if necessary.
- 6.5 The directors and management of the Resulting Issuer must meet the requirements set out in Policy 3.1 - Directors, Officers and Corporate Governance.

7. Vendor Consideration and Escrow

If a COB or RTO involves the issuance of securities in consideration for non-cash assets, the Issuer is subject to the provisions of Policy 5.4 - Escrow and Vendor Consideration, in respect of allowable consideration and escrow applicable to such securities.

8. Treasury Orders and Resale Restrictions

- 8.1 Securities issued may be subject to Resale Restrictions, including hold periods under applicable Securities Law. The Issuer must ensure that it complies with any requirement of applicable Securities Law to legend the securities for any Resale Restriction or hold period or any other requirement to advise the recipient of securities of Resale Restrictions or hold periods.
- 8.2 In addition to any Resale Restrictions or hold periods required by applicable Securities Law, the Exchange requires that all securities issued by an Issuer be legended with a four-month hold period. In addition, a treasury order evidencing the legend must be submitted to the Exchange within 10 days of the issuance of securities. *See Policy 3.2 - Filing Requirements and Continuous Disclosure for the wording of such legend and the calculation of the hold period.*

9. Financial Statements

- 9.1 Except as specifically modified below, the financial statements of the Target Issuer to be included in the Information Circular or Filing Statement must be the same as would be required in conjunction with a Prospectus under the applicable Securities Law. The following modifications are acceptable:
- (a) subject to (b), audited comparative financial statements will generally be required for a three year historical period rather than five years as required in connection with a Prospectus; or
 - (b) the Exchange, in its discretion, can waive the three year history required in section (a) provided that the following financial statements for the Target Issuer are provided:
 - (i) audited financial statements for the most recently completed financial year; and
 - (ii) unaudited financial statements for the prior two financial years
- 9.2 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 an Target Issuer engaged in the business of investing, a statement of changes in net assets) and a signed auditor's report.

- 9.3 If, at the Initial Submission Date, 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 Information Circular or Filing Statement 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 Initial Submission Date, unaudited interim financial statements which have been reviewed by an auditor acceptable to the applicable Securities Commission(s). 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. The Issuer should consult with the applicable Securities Commissions or the Exchange to determine whether the Review Engagement Report is required to be included or excluded from the Information Circular.
- 9.4 Pro forma financial statements, which give effect to the acquisition, must be included in the Information Circular or Filing Statement and must be accompanied by an appropriate auditor's compilation report.
- 9.5 If more than 75 days have expired since the Initial Submission Date and the Information Circular has not yet been mailed to the Issuer's shareholders, the Exchange can require that updated financial statements be included in the Information Circular as would be required under applicable Securities Laws in connection with a Prospectus.
- 9.6 Management projections of future earnings will not generally be accepted for inclusion in an Information Circular or Filing Statement. If in the discretion of the Exchange such projections are accepted for inclusion, the projections must be made in compliance with National Policy No. 48 or any successor instrument.

10. Other Requirements

10.1 Subsequent RTO

The Exchange will not generally permit a Tier 2 Issuer which has been listed on the Exchange for less than one year or which has completed an RTO or Qualifying Transaction within the last year, to complete an RTO.

10.2 Minimum Price and Deemed Price

The deemed issue price for Listed Shares issued by an Issuer under or in conjunction with a COB or RTO must not be less than the Discounted Market Price. Securities convertible into Listed Shares issued by an Issuer under or in conjunction with a COB or RTO must not be issued at less than the Discounted Market Price.

10.3 Stock Options

The Exchange will generally not accept for filing stock options granted in connection with a COB or RTO:

- (a) until at least 30 days have passed since the Completion Date and at least ten trading days have passed since the day on which trading in the Issuer's Listed Shares resumes; or
- (b) unless the exercise price is equivalent to or greater than the price of a concurrent financing (of which a significant percentage of the subscribers are at arm's length to the Issuer or Resulting Issuer) done in conjunction with the COB or RTO, and the issuance was disclosed in the Information Circular, Filing Statement and any offering document.

10.4 Loans and Advances to Target Issuers

Any proposed loans or advances of funds from the Issuer to the Target Issuer, in excess of \$25,000 in aggregate must receive Exchange acceptance prior to such funds being loaned or advanced to the Target Issuer.

10.5 Securities Laws

If applicable, Issuers and the Resulting Issuer must comply with National Policy Statement No. 31 (Change of Auditor of a Reporting Issuer), National Policy Statement No. 51 (Changes in the Ending Date of a Financial Year and in Reporting Issuer Status) and National Policy No. 48 (Future-Oriented Financial Information) or any successor instruments. Acceptance for filing by the Exchange of an Information Circular or Filing Statement should not be construed as assurance of compliance with these policies.

Review and acceptance for filing by the Exchange of any Information Circular or Filing Statement prepared in connection with a COB or RTO or the issuance of an Exchange Notice confirming final acceptance should not be construed as assurance that the parties to the transaction are in compliance with applicable Securities Law, including any registration or Prospectus exemption or disclosure requirements for a securities exchange take-over bid circular, offering memorandum or other disclosure document.

Parties to a COB or RTO are reminded of the restrictions under Securities Laws and Exchange Requirements when dealing with confidential information and trading in securities while in possession of such information. *See Policy 3.1 - Directors, Officers and Corporate Governance.*

10.6 Delay and Inactivity

If the Information Circular has not been mailed to shareholders within 75 days after the Initial Submission Date and, in the opinion of the Exchange, the delay is due to inactivity of the Issuer or the person filing the Initial Documents, the Exchange may:

- (a) close its file as "not proceeded with" and require the Issuer to issue a news release with respect to the status of the proposed transaction; or
- (b) require that an updated Information Circular containing updated material facts and updated financial statements, Geological Reports, valuations or other reports be filed.

10.7 Assessment of a Significant Connection to Ontario

Where, pursuant to an RTO, 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*.
