

POLICY 5.3

ACQUISITIONS AND DISPOSITIONS OF NON-CASH ASSETS

Scope of Policy

Non-cash asset transactions are divided into several different categories. The more significant the transaction, the more detailed the Exchange review and required disclosure of the transaction will be. In addition to the general reporting and filing policies of the Exchange, this Policy sets out acceptance and disclosure requirements for certain specific transactions. This Policy applies to all Issuers except Capital Pool Companies.

In some circumstances, an acquisition or disposition can constitute a Change of Business or Reverse Take-Over. In such cases, Issuers must comply with the requirements of Policy 5.2 – Changes of Business and Reverse Take-Over. Inactive Issuers must comply with the provisions of Policy 2.6 – Inactive Issuers and Reactivation, in addition to the requirements of this Policy.

The main headings in this Policy are:

1. Overview
2. Exempt Transactions
3. Expedited Acquisitions
4. Reviewable Transactions - General
5. Reviewable Acquisitions - Procedure
6. Reviewable Dispositions - Procedure
7. Reviewable Transactions - Additional Documents and Requirements
8. Treasury Orders and Resale Restrictions

1. Overview

1.1 Categories of Transactions

The Exchange recognizes that there are many types of acquisitions and dispositions and that it is not appropriate to treat each transaction in the same manner. As a result, the Exchange has developed the following transaction categories with specific requirements to deal with the range of transactions:

“Exempt Transactions” are transactions which are relatively insignificant to an Issuer’s operations and which involve no issuance of securities by the Issuer (or its subsidiaries). An Exempt Transaction can be conducted without Exchange acceptance or review and requires no filing with the Exchange. The criteria for a transaction to qualify as an **“Exempt Acquisition”** are described in section 2.1 and the criteria for a transaction to qualify as an **“Exempt Disposition”** are described in section 2.2.

“Minor Acquisitions” are acquisitions where:

- (a) the number of securities issued does not exceed the greater of:
 - (i) 200,000 Listed Shares in the case of a mining or oil and gas exploration issuer or 500,000 Listed Shares in the case of other Issuers, or
 - (ii) 10% of the Issuer’s outstanding Listed Shares; and
- (b) either:
 - (i) if the transaction is arm’s length, except in the case of Tier 1 Issuers, the total consideration payable (including securities issued) does not exceed \$1,000,000; or
 - (ii) if the transaction is with any one or more Related Parties, the total consideration payable (including securities issued) does not exceed \$250,000 for a Tier 2 Issuer or \$500,000 for a Tier 1 Issuer.
- (c) Minor Acquisitions are Reviewable Transactions unless they also meet the criteria for an Expedited Acquisition.

“Major Acquisitions” are Reviewable Acquisitions other than Minor Acquisitions.

“Expedited Acquisitions” are arm’s length Minor Acquisitions that meet certain additional criteria described in section 3.1. The Exchange considers that because of their size and other built-in restrictions, these transactions do not require prior Exchange review. Issuers can obtain Exchange acceptance of an Expedited Acquisition without Exchange staff review, by complying with the filing requirements outlined in section 3.3.

“Reviewable Transactions” are transactions which are considered more significant than Exempt or Expedited transactions, relative to an Issuer’s operations, either by virtue of the size of the acquisition or disposition or by virtue of the fact that it is a Related Party transaction. All acquisitions which do not qualify as either Exempt Transactions or Expedited Acquisitions (**“Reviewable Acquisitions”**) and all dispositions which do not qualify as Exempt Transactions (**“Reviewable Dispositions”**) are “Reviewable Transactions”. Issuers must obtain prior Exchange acceptance for all Reviewable Transactions.

An Issuer which has been advised by the Exchange that it is no longer permitted to rely upon either the Expedited Acquisition filing procedures or the Expedited Private Placement filing procedures, must file all acquisitions and dispositions as if they were Reviewable Transactions.

“Fundamental Acquisitions” are the most significant Reviewable Acquisitions, are subject to additional filing requirements and will typically involve a halt. A Fundamental Acquisition is an acquisition, other than a Change of Business, of one or more assets, properties or businesses or an interest therein, in respect of which:

- (a) at least 50% of the Issuer's assets, resources, planned expenditures or management time commitment will be devoted over the next 12 month period; or
- (b) at least 50% of the Issuer's anticipated revenues for the next 12 months are expected to be derived.

1.2 Issuer's Obligations

- (a) Whether or not the Exchange reviews a transaction, the Issuer should be satisfied with the material aspects of the transaction, including that:
 - (i) the consideration payable for the acquisition of the asset, business, property or interest therein (and any related finder's fee) is reasonable;
 - (ii) the seller or optionor has or will have title to, and has the power and authority to sell or option the applicable asset, property or business or interest therein;
 - (iii) the Issuer has the legal ability, power and authority to acquire such asset, business, property or interest therein;
 - (iv) the Issuer has the financial or other resources necessary to acquire and develop the assets or business being acquired without materially adversely affecting the Issuer's financial viability; and
 - (v) any securities to be issued, when issued, will be issued as fully paid.
- (b) Issuers must obtain adequate evidence of value for consideration paid, such as confirmation of out-of-pocket costs or replacement costs, fairness opinions, Geological Reports, financial statements or valuations. Although evidence of value is not always required to be filed with the Exchange, the Exchange can request this evidence of value if it conducts an audit of a filing.
- (c) In addition to Exchange Requirements, the Issuer must also comply with applicable Securities Laws and corporate laws including such matters as the availability of prospectus exemptions, registration exemptions, take-over bid exemptions and compliance with continuous disclosure requirements.

1.3 Percentage Calculations

In this Policy, a reference to percentages of securities means percentages calculated on a non-fully diluted basis, so that any Warrants acquired in the transaction are excluded from the numerator and the denominator includes only the outstanding Listed Shares at completion of the transaction.

2. Exempt Transactions

2.1 Exempt Acquisitions

- (a) An acquisition which meets the following criteria is exempt from Exchange review and no Exchange filing is required:
- (i) none of the sellers (or optionors) is a Related Party of the Issuer or its Associates or Affiliates;
 - (ii) the acquisition is conducted in the normal course of the Issuer's operations;
 - (iii) the Issuer is not an Inactive Issuer;
 - (iv) the acquisition is not a Material Change in the business or affairs of the Issuer and is not being conducted in conjunction with or in contemplation of an undisclosed Material Change;
 - (v) the transaction is not a Change of Business or Reverse Take-Over and is not being conducted in conjunction with or in contemplation of a Change of Business or Reverse Take-Over;
 - (vi) the acquisition does not involve the issuance of securities; and
 - (vii) the total consideration to be paid for the assets, business or property to be acquired (including any finder's fee) does not exceed \$250,000, or in the case of a Tier 1 Issuer, \$500,000.

2.2 Exempt Dispositions

- (a) A disposition of non-cash assets or property which meets the following criteria is exempt from Exchange review and no Exchange filing is required:
- (i) none of the purchasers of the asset, business or property is a Related Party of the Issuer or its Associates or Affiliates;
 - (ii) the disposition is conducted in the normal course of the Issuer's operations;
 - (iii) the transaction is not being conducted in conjunction with or in contemplation of a Change of Business or Reverse Take-Over;
 - (iv) the disposition is not a Material Change in the business or affairs of the Issuer and is not being conducted in conjunction with or in contemplation of an undisclosed Material Change;
 - (v) the disposition will not result in the Issuer ceasing to meet Tier Maintenance Requirements;

- (vi) the Issuer is not an Inactive Issuer; and
- (vii) the assets, property or business being disposed of constitute less than 25% of the Issuer's operating assets, property or business and less than 25% of Issuer's revenues in the past 12 months have been derived from those assets, property or business.

3. Expedited Acquisitions

3.1 Eligibility

- (a) A Minor Acquisition by an Issuer can be conducted on an expedited basis if:
 - (i) the seller (or optionor) of the asset, property or business is not a Related Party of the Issuer or its Associates or Affiliates;
 - (ii) the acquisition is not a Change of Business or Reverse Take-Over and is not being conducted in conjunction with or in contemplation of a Change of Business or Reverse Take-Over;
 - (iii) the acquisition does not involve a property or asset which is contiguous with or related to a property or asset which has been acquired from the same vendor within the previous six months and the acquisition is not being conducted in conjunction with or in contemplation of an undisclosed Material Change;
 - (iv) the only securities issued are Listed Shares or Warrants convertible into Listed Shares;
 - (v) any securities issued as consideration for the acquisition do not result in any person who was previously not an Insider becoming an Insider of the Issuer;
 - (vi) the Issuer is not an Inactive Issuer; and
 - (vii) the aggregate number of Listed Shares issued by the Issuer under the Expedited Private Placement or Expedited Acquisition filing procedures within the previous 12 months does not exceed 25% of the Issuer's outstanding Listed Shares.

An Issuer which has exceeded the 25% limit described in section 3.1(a)(vii), may apply by letter to the Exchange to have the limit reset.

3.2 Audit

- (a) Although the Exchange does not review Expedited Acquisitions as they are submitted, it will undertake an audit process to review selected Expedited Acquisitions after they are processed. If the audit reveals significant problems with an Expedited Acquisition, the Exchange can prohibit the Issuer from using the Expedited Acquisition system in the future.

- (b) The Issuer must obtain adequate evidence of value for the consideration paid. Although the Issuer is not required to file this evidence with the Expedited Acquisition Filing Form, the Exchange can request this evidence during an audit.

3.3 Expedited Acquisition Filing Procedures

- (a) On or before the closing of an acquisition which qualifies as an Expedited Acquisition, the Issuer must file:
 - (i) the Expedited Acquisition Filing Form (Form 5B); and
 - (ii) the applicable fee as prescribed by Policy 1.3 - Schedule of Fees.
- (b) The Exchange will send to the Issuer a final acceptance letter when it accepts the Expedited Acquisition, generally on the first business day after the Expedited Acquisition Filing Form and fee are filed.
- (c) If the transaction changes from what was disclosed on the Expedited Acquisition Filing Form but the transaction still qualifies as an Expedited Acquisition, the Issuer must file an “Amended” Expedited Acquisition Filing Form as soon as it becomes aware of the change. If there is a change in the transaction or the circumstances of the Issuer so that the transaction no longer qualifies as an Expedited Acquisition, the Issuer must comply with the Reviewable Transaction procedures and any other applicable Exchange Requirements.

3.4 Fees and Warrants

Any finder’s fees paid must comply with Policy 5.1 – Loans, Bonuses, Finder’s Fees and Commissions. Finder’s fees are not included in the calculation of eligible shares in section 3.1.

Any Warrants issued must comply with the provisions dealing with Warrants in Policy 4.1 – Private Placements.

4. Reviewable Transactions - General

- 4.1 Any transaction subject to this Policy which is not an Exempt or Expedited Transaction is a Reviewable Transaction.

4.2 News Release and Transaction Summary Form

- (a) Subject to section 4.4, as soon as an agreement in principle for any Reviewable Transaction is reached, the Issuer must immediately issue a news release. The Issuer must then immediately file with the Exchange, a Transaction Summary Form (Form 5C), with the news release as an attachment.

- (b) The news release must provide summary disclosure of:
 - (i) the nature of the asset, business or property to be acquired or disposed of,
 - (ii) the parties to the transaction,
 - (iii) the proposed consideration and method of payment,
 - (iv) whether any finder's fee is to be paid, and
 - (v) any Related Party relationship between the Issuer, its Insiders and the sellers or optionors of the asset, business or property.

The news release must also comply with Policy 3.3 - Timely Disclosure.

4.3 Exchange Acceptance

If the Exchange is satisfied with the Transaction Summary Form, the Exchange will issue a conditional acceptance letter. The Issuer must not close the transaction (except in trust, conditional upon Exchange Acceptance) until it has received the Exchange's final acceptance. The Exchange will not issue a final acceptance until all documents required by sections 5 and 6 of this Policy have been received and reviewed.

4.4 Trading Halts

- (a) Before issuing any news release, an Issuer intending to announce a significant acquisition or disposition must contact the Exchange's Corporate Finance Department to discuss whether a trading halt is necessary. A trading halt will not be required in respect of a Minor Acquisition.
- (b) Any trading halt will be brief provided that the news release is sufficiently comprehensive and it appears to the Exchange that the transaction will be acceptable upon filing of all materials, in due course.
- (c) The Exchange will not typically halt trading except for:
 - (i) a Change of Control (as defined in Policy 5.2 - Changes of Business and Reverse Take-Overs);
 - (ii) a Fundamental Acquisition;
 - (iii) a transaction that will result in new shareholders holding more than 50% of the outstanding securities; or
 - (iv) a sale of more than 50% of an Issuer's assets, business or undertaking.

- (d) A trading halt will generally be lifted after the Exchange has had an opportunity to review:
 - (i) a draft agreement in respect of the transaction;
 - (ii) Personal Information Forms for any new or proposed new Insiders;
 - (iii) for any natural resource property acquisition, a Geological Report; and
 - (iv) for the acquisition of any business or a material portion of the assets of a business, audited financial statements of the Company conducting that business or owning the assets.
- (e) The Issuer must issue a news release regarding the status of the Reviewable Transaction (other than a Minor Acquisition) and filing every 30 days following any trading halt, until the transaction is complete and a news release confirming closing has been issued.

5. Reviewable Acquisitions - Procedure

- 5.1 Within 30 days after the Exchange's conditional acceptance and before closing of the acquisition, the Issuer must submit to the Exchange the following documents (if not already provided to resume trading):
 - (a) for any Major Acquisition of a natural resource property or an interest therein (including a share acquisition of another Company which holds title to the natural resource property), a Geological Report;
 - (b) for every Major Acquisition, a financial plan or other evidence demonstrating that the Issuer has, or will have upon closing, the financial resources to close the transaction and,
 - (i) if the acquisition is of a natural resource exploration or development property, that the Issuer has, or will have upon closing, the financial resources to fund its property payment obligations for a minimum of six months and the first stage of any recommended work program, or
 - (ii) if the acquisition is of non-natural resource assets, that the Issuer has sufficient working capital and financial resources for a six month period;
 - (c) for any Major Acquisition of another Company or material assets of another Company, audited financial statements of that Company (the Exchange can waive the requirement for audited financial statements provided other satisfactory financial statements or evidence is available);
 - (d) if required by section 7.2, evidence of value supporting the consideration to be paid for the asset, property, business or interest therein;

- (e) if requested by the Exchange, an executed copy of any escrow agreement required by the Exchange under Policy 5.4 – Escrow and Vendor Consideration;
- (f) a certified copy of the transaction agreement(s), including relevant underlying agreements;
- (g) a duly completed Personal Information Form for any new Insiders of the Issuer;
- (h) if a finder’s fee is payable, a copy of the finder’s fee agreement (Issuers are reminded that all finder’s fees must be in compliance with Policy 5.1 - Loans, Bonuses, Finder’s Fees and Commissions.);
- (i) if required under section 7.1, an opinion of title;
- (j) if requested by the Exchange, for the acquisition of a non-natural resource issuer or the assets of a non-natural resource issuer, a business plan;
- (k) if required under section 7.3, a Filing Statement for a Non-RTO Transaction (Form 5A);
- (l) if required under section 7.14, evidence of shareholder approval;
- (m) if required under section 7.5, a Sponsor Report;
- (n) any other documents or information requested by the Exchange in the conditional acceptance letter; and
- (o) the applicable fee as prescribed by Policy 1.3 - Schedule of Fees.

6. Reviewable Dispositions - Procedure

- 6.1 Within 30 business days after entering into an agreement in principle for a Reviewable Disposition, the Issuer must submit to the Exchange the following documents:
- (a) if the transaction consists of a disposition to a Related Party of a natural resource property or an interest therein, a Geological Report;
 - (b) if required under section 7.2, evidence of value;
 - (c) a certified copy of the transaction agreement(s), including relevant underlying agreements;
 - (d) any other documents or information requested by the Exchange in the conditional acceptance letter; and
 - (e) the applicable fee as prescribed by Policy 1.3 - Schedule of Fees.

7. Reviewable Transactions - Additional Documents and Requirements

7.1 Title Opinions

- (a) The Exchange can require a title opinion if it considers one necessary or advisable. The Exchange generally considers a title opinion to be necessary for:
 - (i) a Major Acquisition of a foreign asset, business or property;
 - (ii) a transaction resulting in a Change of Control; and
 - (iii) any acquisition which results in new shareholders holding 50% or more of the outstanding securities of the Issuer.

7.2 Evidence of Value

- (a) An Issuer can provide evidence of value in a number of ways as described in Policy 5.4 – Escrow and Vendor Consideration.
- (b) The Exchange can require evidence of value if it considers it necessary or advisable. The Exchange will generally require evidence of value for:
 - (i) any Related Party acquisition, including a Minor Acquisition;
 - (ii) any transaction that results in a Change of Control;
 - (iii) a Fundamental Acquisition;
 - (iv) any transaction that results in new shareholders holding more than 50% of the outstanding securities of the Issuer;
 - (v) a Reviewable Disposition to one or more Related Parties; and
 - (vi) a Reviewable Disposition that is a sale of more than 50% of the Issuer’s assets, business or undertaking.

7.3 Filing Statements

- (a) The Exchange can require a Filing Statement for a Non-RTO Transaction (Form 5A) if it considers it necessary or advisable. The Exchange generally considers a Filing Statement for a Non-RTO Transaction to be necessary for:
 - (i) any transaction which results in a Change of Control;
 - (ii) a Fundamental Acquisition;

- (iii) an acquisition which results in new shareholders holding 50% or more of the outstanding securities of the Issuer;
- (iv) a Reviewable Disposition that is a sale of more than 50% of the Issuer's assets, business or undertaking; and
- (v) a Major Acquisition that occurs concurrently with a Change of Management.

7.4 Shareholder Approval

- (a) The Exchange can require shareholder approval if it considers it necessary or advisable. The Exchange generally considers shareholder approval to be necessary for:
 - (i) any transaction which results in a Change of Control;
 - (ii) a transaction which results in new shareholders holding 50% or more of the outstanding securities of the Issuer;
 - (iii) any acquisition which together with any concurrent or related transactions results in the issuance of more than 10% of the outstanding Listed Shares (calculated before the acquisition and the concurrent transaction) where Related Parties have a 20% or greater interest in the asset, property or business to be acquired;
 - (iv) any acquisition which together with any concurrent or related transactions results in the issuance of more than 20% of the outstanding Listed Shares (calculated before the acquisition and the concurrent transaction) where Related Parties have any interest in the asset, property or business to be acquired;
 - (v) any Reviewable Disposition which is a sale of more than 50% of the Issuer's assets, business or undertaking; and
 - (vi) if requested by the Exchange, a transaction for which the consideration to be paid exceeds the Exchange's vendor consideration guidelines set out in Policy 5.4 - Escrow and Vendor Consideration.
- (b) The Exchange can accept the written consent of the shareholders holding over 50% of the issued shares of the Issuer, if the Exchange is satisfied that the shareholders were fully informed of the proposed transaction.
- (c) If the sellers or optionors of any asset, property or business to be acquired are Related Parties of the Issuer, the Related Parties must be excluded from the calculation of shareholder approval.

7.5 Sponsor Reports

The Exchange does not generally require a Sponsor Report in connection with an acquisition governed by this Policy; however the Exchange can require a Sponsor Report if it considers it necessary or advisable.

8. Treasury Orders and Resale Restrictions

- 8.1 Securities issued can be subject to Resale Restrictions, including hold periods under applicable Securities Laws. The Issuer must comply with applicable Securities Laws, including any requirement to legend the securities with any Resale Restriction or hold period or any requirement to advise the recipient of the securities of any Resale Restriction or hold period.
 - 8.2 In addition, the Exchange requires that all securities issued be legended with a four month hold period. The Exchange requirements for legending share certificates and instructions to transfer agents in treasury orders are described in Policy 3.2 - Filing Requirements and Continuous Disclosure.
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