POLICY 5.4

ESCROW AND VENDOR CONSIDERATION

Scope of Policy

This Policy outlines the Exchange's guidelines on acceptable ways to determine appropriate consideration for assets, properties, businesses, indebtedness or services. This Policy also identifies the escrow regime that the Exchange will apply to an Initial Listing, a New Listing or certain other transactions.

Except for sections 1, 6.4, 7, 8 and 9, this Policy does not apply to the escrow of shares of Capital Pool Companies.

The main headings in this Policy are:

1. General
2. Initial Applications for Listing
3. Reverse Take-Overs and Qualifying Transactions
4. Value Securities
5. Surplus Securities
6. Escrow Provisions
7. Other Transactions
8. Transfers Within Escrow
9. Discretionary Applications, Conversion of Escrow Agreements and Transitional Provisions

1. General

1.1 This Policy has been designed to harmonize with the Notice: Proposal for a National Escrow Regime Applicable to Initial Public Distributions (the "National Instrument") published for comment by the CSA in May, 1998. However, this Policy contemplates certain proposed changes to the National Instrument that have not yet been published. There is no assurance that the National Instrument will be published with the proposed changes, if at all. A reference in this Policy to the National Instrument includes the contemplated amendments, particularly those with respect to the revised escrow release provisions and the revised definition of "Principal" as described in this Policy. This Policy will change if there are further changes to the National Instrument.

1.2 The CSA has determined that the principal objective of escrow is to ensure that management and key principals retain an equity interest in an Issuer for an appropriate period following an IPO or following any other New Listing. The Exchange considers another significant reason for escrow to be to discourage the issuance of securities where the value of the securities issued does not reasonably correspond to the value of any asset, property, business, indebtedness or service in respect of which they are issued as payment or consideration. In response to this second reason for escrow, the Exchange has developed different escrow requirements for Surplus Securities which provide for delayed release as compared to the release contemplated by the National Instrument, which is substantially similar to the escrow requirements for Value Securities.

1.3 Interpretation

This Policy also provides for different escrow release provisions between Tier 1 Issuers and Tier 2 Issuers. For the purpose of this Policy, Tier 1 Issuers will be deemed to be Established Issuers as defined in the National Instrument and Tier 2 Issuers will be deemed to be Emerging Issuers as defined in the National Instrument.

This Policy also provides for various situations which are not covered by the National Instrument and requires that "Principal securities" issued pursuant to transactions, other than IPOs, in connection with alternative methods of "going public" will be subject to escrow requirements which are either the same as those required by the National Instrument or which result in slower release than permitted under the National Instrument. All "Principal securities" which will be outstanding at the completion of a New Listing will generally be subject to escrow requirements.

1.4 Definitions

In this Policy:

"Issuer" in connection with an Initial Listing means the applicant Issuer and in connection with any other New Listing refers to the Resulting Issuer (as defined in Policy 5.1 - Changes of Business and Reverse Take-Overs or Policy 2.4 - Capital Pool Companies).

"Option" means an option, warrant, right of conversion or exchange, or other right to acquire an equity security of an Issuer, but does not include a non-transferable incentive stock option exercisable solely for cash or cash equivalent (which for the purpose of this definition does not include property or services) at a price per underlying equity security not less at the price at which the equity securities of the Issuer are being issued or are deemed to be issued in connection with the Initial Listing or New Listing.

"Principal" means a Person that in the case of an IPO, immediately prior to the issuance of a final receipt is, or in all other cases at the time an Exchange Notice is issued confirming final acceptance of a transaction, will be:

(a) a Promoter of the Issuer;

(b) a director or senior officer of the Issuer or of a material operating subsidiary of the Issuer;

(c) a Person that:

(i) beneficially owns, directly or indirectly,

(ii) has control or direction over, or

(iii) has a combination of direct or indirect beneficial ownership of and or control or direction over,

securities of the Issuer carrying more than 20% of the voting rights attached to all the Issuer's outstanding Voting Shares, calculated in connection with an IPO, upon completion of the IPO or, in all other cases, at the time of the Exchange Notice;

(d) a Person that:

(i) beneficially owns, directly or indirectly,

(ii) has control or direction over, or

(iii) has a combination of direct or indirect beneficial ownership of and control or direction over

securities of the Issuer carrying more than 10% of the voting rights attached to all the Issuer's outstanding Voting Shares, calculated in connection with an IPO, upon completion of the IPO or, in all other cases, at the time of the Exchange Notice and

(iv) has selected or has the right to select, one or directors or senior officers of the Issuer, or

(v) one or more directors or senior officers of the Issuer:

(A) are directors, officers or employees of such persons or company;

(B) beneficially won, directly or indirectly, or have control or direction over, or have a combination of beneficial ownership of and control or direction over, more than 10% of the outstanding Voting Shares of such Person;

(vi) a Company

(A) if 20% or more of the Voting Shares of the Company are beneficially owned, directly or indirectly by any one or more of the Persons referred to in subsections (a) to (d), or

(B) if one or more of the Persons referred to in subsections (a) through (d) have control or direction over 20% or more of the Voting Shares of the Issuer, or

(C) if one or more of the Persons referred to in subsections (a) through (d) have a combination of beneficial ownership and of control or direction over 20% or more of the Voting Shares of the Issuer, or

(e) an Associate of a Person referred to in subsections (a) to (d).

"Principal securities" means

(a) all Options of the Issuer and

(b) all equity securities of the Issuer that carry a residual right to participate in the earnings of the Issuer and, on the liquidation or winding-up of the Issuer, in its assets,

which in the case of an IPO, immediately before completion of the Issuer's IPO are beneficially owned, directly or indirectly by Principals, or over which Principals have control or direction, or in al other cases, which immediately before the issuance of the Exchange Notice confirming final acceptance, are beneficially owned, directly or indirectly by Principals, or over which Principals have control or direction.

"Surplus Securities" means securities issued pursuant to a transaction which are not supported by a valuation method acceptable to the Exchange or for which the value of the asset is less than the deemed value of the securities, or securities which are otherwise determined by the Exchange to be Surplus Securities and required to be placed in escrow under a Surplus Security Escrow Agreement.

"Surplus Security Escrow Agreement" means an escrow agreement in Form 5D to which Surplus Securities will be subject and which will include Schedule B(3) of Form 5D if the Issuer is a Tier 1 Issuer or Schedule B(4) of Form 5D if the Issuer is a Tier 2 Issuer.

"Value Securities" means securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities which are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement.

"Value Security Escrow Agreement" means an escrow agreement in Form 5D to which Value Securities will be subject and which will include Schedule B(1) of Form 5D if the Issuer is a Tier 1 Issuer or Schedule B(2) of Form 5D if the Issuer is a Tier 2 Issuer.

1.5 Applicable Escrow Requirements

For an Initial Listing which is conducted concurrently with an IPO, the Exchange will generally defer to any escrow requirements of applicable Securities Laws. The Exchange can require additional escrow beyond that imposed by Securities Laws.

1.6 Securities Which are Subject to Escrow

(a) For any New Listing, the Exchange will require that all Principal securities of an Issuer be escrowed. The Exchange can also require that any securities held by other parties be escrowed on the same terms as Principals or otherwise.

(b) If the number of securities being issued in connection with a New Listing is supported by value or are within parameters acceptable to the Exchange, all those securities held by Principals must be deposited into a Value Security Escrow Agreement. If the number of securities being issued is not supported by value or within parameters acceptable to the Exchange, all Principal securities must be deposited into a Surplus Security Escrow Agreement.

(c) The Exchange can also impose escrow requirements on securities beneficially owned directly or indirectly by any other party if:

(i) the securities were issued prior to listing at a price which the Exchange considers to be at a significant discount in relation to the prospectus offering price or any proposed concurrent financing; or

(ii) the issuance price of or consideration paid for such securities was materially below the Exchange's prescribed minimum issuance price of $0.10 per security or the Discounted Market Price.

(d) The Exchange will generally exempt from escrow those securities issued in connection with a Private Placement to a Person who will be a Principal of the Resulting Issuer where:

(i) the Private Placement is announced at least five trading days after the news release announcing an Agreement in Principle and the pricing for the financing is at not less than the Discounted Market Price; or

(ii) the Private Placement is announced concurrently with an Agreement in Principle and:

(A) at least 75% of the proceeds from the Private Placement are not from Principals of the Resulting Issuer;

(B) if subscribers other than Principals of the Target Issuer will obtain securities subject to hold periods, then, in addition to any Resale Restrictions under applicable Securities Laws, any securities issued to Principals will be required to be legended with the four month Exchange hold period referred to in Policy 3.2 - Filing Requirements and Continuous Disclosure; and

(C) none of the proceeds from the Private Placement are allocated to pay compensation to or settle indebtedness owing to Principals of the Resulting Issuer.

(e) The Exchange, in its discretion, can also impose escrow in connection with various other transactions, including a Change of Business, a Fundamental Acquisition, an acquisition resulting in a Change of Control, an acquisition of assets of indeterminate value (*see Policy 5.3 – Acquisitions and Dispositions of Non-Cash Assets*), shares for services and significant shares for debt arrangements (*see Policy 4.3 – Shares for Debt*).

(f) The Exchange reserves the right to require that any securities issued by an Issuer be placed in escrow pursuant to this Policy.

1.7 Securities Held by a Company

If Principal securities required to be held in escrow are held by a non-individual (a "holding company"), the Exchange can require that the securities of the holding company be placed in escrow or that all beneficial owners of the holding company sign undertakings to the Exchange not to transfer their holding company securities without the consent of the Exchange and the directors and senior officers of the holding company must sign undertakings not to permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the holding company. In addition to any of the foregoing, where in connection with a New Listing, a holding company acquires escrow securities, the Exchange will require from the Issuer an undertaking as contemplated in the National Instrument.

1.8 Form of Escrow Agreement

Every escrow agreement submitted to the Exchange pursuant to this Policy must be in the required form of Value Security Escrow Agreement or Surplus Security Escrow Agreement or any replacement form prescribed by the Exchange. Except as specifically contemplated by the form, no additions, deletions, exceptions, amendments or other modifications to such form can be made without the prior written approval of the Exchange. Acceptance or conditional acceptance of a proposed transaction does not constitute acceptance or approval by the Exchange of the amendments unless specifically stated in the acceptance or conditional acceptance letter. Modification in any way of the substance of the Exchange escrow agreement is a breach of Exchange Requirements unless prior Exchange Acceptance is obtained.

1.9 Relief from Certain Requirements

If the number of securities issued by an Issuer appears to exceed the value of the asset, property, business (or a partial interest) received by the Issuer, based on valuation methods acceptable to the Exchange, then the Exchange can still agree to accept a transaction for filing if the securities are placed in a Surplus Security Escrow Agreement. However, regardless of Exchange Acceptance, the directors and management of the Issuer have an obligation under corporate law and Exchange Requirements to act in the best interests of the Issuer in negotiating a transaction and to ensure that all securities are issued as fully paid. The directors and management of an Issuer must be satisfied that the Issuer is receiving appropriate consideration for any securities issued.

2. Initial Applications for Listing

2.1 In regard to any Issuer seeking a listing on the Exchange in connection with an IPO, the Exchange will generally require the Issuer to have entered into an escrow agreement as described in the Canadian Securities Administrators Notice 46-301, dated March 17, 2000, *Proposal for Uniform Terms of Escrow Applicable to Initial Public Distributions* (the "Notice") unless a preliminary receipt for the IPO Prospectus is issued by a CSA Jurisdiction prior to July 1, 2000. Where an Issuer has received a preliminary receipt for its IPO Prospectus prior to July 1, 2000, the Exchange will not generally impose additional escrow and will defer to the escrow regime of the applicable Securities Commission(s).

2.2 In connection with any Initial Listing, the Exchange reserves the right to impose escrow requirements on any person other than a Principal. The Exchange, in its discretion, can require securities to be placed in a Value Security Escrow Agreement or a Surplus Security Escrow Agreement or both.

2.3 For an Initial Listing by an Issuer that has previously traded in another market, to the extent possible, the Exchange will generally require that the Principals of the Issuer enter into escrow arrangements substantially similar to the escrow which would have been required if the Issuer conducted its IPO in a CSA Jurisdiction.

3. Reverse Take-Overs and Qualifying Transactions

3.1 Except pursuant to section 1(6)(d), all securities held by Persons who will be Principals of the Resulting Issuer at the time of the Exchange Notice confirming final acceptance of a Reverse Take-Over or a Qualifying Transaction must be placed in escrow.

3.2 The Exchange calculates the number of securities that constitute Value Securities. If all securities issued are Value Securities or the number of Surplus Securities does not exceed 25% of the number of Value Securities, then all securities issued, including Value Securities and Surplus Securities, will be placed in a Value Security Escrow Agreement.

3.3 If, in addition to issuing Value Securities, the Issuer issues Surplus Securities which exceed 25% of the number of Value Securities, then all securities issued, including Value Securities and Surplus Securities, will be placed in a Surplus Security Escrow Agreement.

4. Value Securities

4.1 General Application

(a) Securities are Value Securities if the supportable value of the asset, property, business (or interest), indebtedness or service for which the securities are being issued equals or exceeds the deemed value of the securities to be issued.

(b) The deemed value of the securities to be issued is calculated by multiplying the number of securities to be issued by the deemed price per security. The deemed price per security must not be less than the greater of the Discounted Market Price, $0.10 and such other higher price prescribed by the Exchange. *See Policy 2.4 - Capital Pool Companies for the deemed price of securities of CPCs.*

(c) After issuing all Value Securities, at least 20% of the outstanding Listed Shares of the Issuer must be in the hands of Public Shareholders.

4.2 Valuation Methods

The Issuer can provide evidence of value in any one of the following ways:

(a) a formal valuation or appraisal prepared by independent, qualified parties, such as Chartered Business Valuators and for resource transactions Qualified Persons as defined in National Instrument 43-101;

(b) for an oil and gas property, a Geological Report based on constant dollar pricing, discounted at 15% and probable reserves risked a further 50%;

(c) subject to section 4(4), for mining issuers and other exploratory natural resource issuers, deferred expenditures incurred within the five previous years for exploration or development of the property on which the Issuer intends to conduct a recommended work program in the next 12 months and, if applicable, such property is the Qualifying Property forming the basis for the Issuer's listing;

(d) for start-up industrial or technology issuers, deferred expenditures or expenses (excluding general and administrative expenses) incurred within the five previous years which have contributed to or can reasonably be expected to contribute to the future operations of the Issuer and which are supported by audited financial statements or an audited statement of costs. (Valuations will not generally be accepted for Issuers which have not yet generated significant revenue.);

(e) for research and development issuers, deferred expenditures (excluding general and administrative costs) incurred within the five previous years, as evidenced by audited financial statements or an audited statement of costs, which have contributed to or can reasonably be expected to contribute to the development of the product or technology for which the Issuer intends to conduct a recommended research and development program in the next 12 months and, if applicable, which constitutes the basis for the Issuer's listing;

(f) Net Tangible Assets;

(g) five times average annual cash flow;

(h) subject to section 4(3), the value of a concurrent majority Arm's Length private placement or public offering (a "Financing"), provided that the subscribers have been advised of the transaction and the number of securities to be issued pursuant to the Financing will represent at least 20% of the issued and outstanding Listed Shares of the Issuer upon completion of the transaction and the Financing; or

(i) some other determination of value acceptable to the Exchange.

4.3 Concurrent Financing

The value ascribed to the assets, business or property (or interest) which is indicated by a concurrent Financing generally is calculated as follows:

$$\frac{\text{Gross proceeds of Financing} \times \text{Total \# of Securities Outstanding upon Completion of Transaction}}{\text{\# of Securities to be issued pursuant to Financing}}$$

4.4 Junior Exploration Issuers

Generally valuations of grassroots mining properties will not be accepted. Exploration and development expenditures must be out of pocket costs incurred by the vendor within the five previous years in arm's length transactions and can include the acquisition cost of the property by the vendor. Any payments made to non-arm's length parties will generally be excluded from these amounts.

4.5 Other Discretionary Valuation Methods

(a) If the Issuer provides the Exchange with satisfactory evidence of the value of services provided to an Issuer which have not otherwise been compensated, and the services have provided a demonstrable benefit to the Issuer, then any securities issued in consideration for those services can, at the discretion of the Exchange, be considered to be Value Securities.

(b) If an Issuer proposes to acquire another issuer (the "Target") and the Target has issued securities at or above prices which would constitute a Discounted Market Price applicable to the Issuer, then comparable securities issued by the Issuer in a one for one exchange for Target securities will generally be considered Value Securities. Securities issued by the Issuer in exchange for Target securities which were issued at least 12 months prior, at prices that are at least 50% of the current Market Price of the Issuer's Listed Shares, can be considered by the Exchange to be Value Securities.

(c) In the absence of evidence to the contrary, for Exempt, Minor and Major Acquisitions (as defined in Policy 5.3 - Acquisitions and Dispositions of Non-Cash Assets), the Exchange will generally presume that the consideration to be paid is supported by value unless the parties to a transaction are Related Parties.

5. Surplus Securities

5.1 All securities issued as consideration for an asset, business, property (or interest), services or debt settlement that do not constitute Value Securities are considered Surplus Securities.

5.2 After issuing all Value Securities and all Surplus Securities, at least 20% of the outstanding Listed Shares of the Issuer must be in the hands of Public Shareholders

6. Escrow Provisions

6.1 General Application

(a) If the number of Surplus Securities issued does not exceed 25% of the number of permitted Value Securities, then all Principal securities (including both Value Securities and Surplus Securities) will be subject to a Value Security Escrow Agreement.

(b) If the number of Surplus Securities issued equals or exceeds 25% of the number of permitted Value Securities, then all Principal securities (including both Value Securities and Surplus Securities) will be subject to a Surplus Security Escrow Agreement.

(c) The first release of Value Securities escrowed in connection with a Reverse Take-Over or Qualifying Transaction is on the date of the Exchange Notice confirming final acceptance of the transaction. For Value Securities escrowed in conjunction with an Initial Listing, the initial release date is the date of the Exchange Notice confirming the Issuer has been or is to be listed.

6.2 Value Security Escrow Agreements

(a) Securities escrowed under Value Security Escrow Agreements are released from escrow as follows:

Tier 1 Issuers:		Tier 2 Issuers (excluding CPC's):	
%	Release Date	%	Release Date
25%	at the time of Exchange Notice	10%	at the time of Exchange Notice
25%	6 months from Exchange Notice	15%	6 months from Exchange Notice
25%	12 months from Exchange Notice	15%	12 months from Exchange Notice
25%	18 months from Exchange Notice	15%	18 months from Exchange Notice
		15%	24 months from Exchange Notice
		15%	30 months from Exchange Notice
		15%	36 months from Exchange Notice

6.3 Surplus Security Escrow Agreements

(a) The terms of the Surplus Security Escrow Agreements are substantially similar to the Value Security Escrow Agreements, except for the delayed release provisions, the certification required by section 6(3)(d) of this Policy and the requirement for cancellation of release upon loss or abandonment of any property or discontinuance of operations, as described below.

(b) Securities escrowed under Surplus Security Escrow Agreements are released from escrow as follows:

Tier 1 Issuers		Tier 2 Issuers (excluding CPCs):	
%	Release Date	%	Release Date
10%	upon Exchange Notice	5%	6 months from Exchange Notice
15%	6 months from Exchange Notice	5%	12 months from Exchange Notice
15%	12 months from Exchange Notice	5%	18 months from Exchange Notice
15%	18 months from Exchange Notice	5%	24 months from Exchange Notice
15%	24 months from Exchange Notice	10%	30 months from Exchange Notice
15%	30 months from Exchange Notice	10%	36 months from Exchange Notice
15%	36 months from Exchange Notice	10%	42 months from Exchange Notice
		10%	48 months from Exchange Notice
		10%	54 months from Exchange Notice
		10%	60 months from Exchange Notice
		10%	66 months from Exchange Notice
		10%	72 months from Exchange Notice

(c) The Surplus Security Escrow Agreements provide that the automatic release mechanism for Surplus Securities will terminate if the asset, business or property (or interest) for which the Surplus Securities were issued as consideration is lost or abandoned or the operations or development on the asset, business or property are discontinued.

(d) Under the Surplus Security Escrow Agreements, before any Surplus Securities can be released, two directors or senior officers of the Issuer must certify to the escrow agent that the relevant asset, property or business has not been lost or abandoned and that operations or development of such asset, property or business have not been discontinued. In addition, under the terms of the Surplus Security Escrow Agreements, the escrowed parties must agree to cancel their Surplus Securities if the applicable asset, property or business (or interest) is lost or abandoned or the operations or development on the property are discontinued.

6.4 Other Release Provisions and Graduation

(a) The release provisions in the National Instrument as described in the sections Release Upon Death and Release upon Take-Over Bid (Combination), and as may be amended upon publication of the revised National Instrument, are available to Principals whose securities are escrowed under this Policy.

(b) The graduation and release provisions contemplated by the National Instrument are available to an Issuer whose securities are escrowed under this Policy. However, an Issuer can graduate from the category of Emerging / Tier 2 to Established / Tier 1 only when the Exchange issues an Exchange Notice confirming final acceptance for listing on Tier 1. The filing procedures contemplated by section 6.3.1 of the National Instrument do not apply.

(c) The provisions of the National Instrument in Part 7 – Transfers within Escrow and Part 8 – Dealing with Escrow Securities are available to Issuers and Principals whose securities are escrowed pursuant to this Policy.

7. Other Transactions

7.1 Value Securities issued to non-Principals, in conjunction with transactions other than New Listings, will generally be free of any escrow. Value Securities issued to Principals, in conjunction with transactions other than New Listings, will generally be free of any escrow, provided the Exchange is satisfied that existing escrow arrangements or other factors are adequate to ensure management commitment.

7.2 In connection with an acquisition, shares for services or debt settlement transaction, the Exchange can require that all or part of any Surplus Securities, whether issued to Principals or otherwise, be escrowed under a Value Security Escrow Agreement or a Surplus Security Escrow Agreement.

8. Transfers Within Escrow

Transfers of securities escrowed pursuant to Exchange Requirements require the prior written consent of the Exchange. Principal securities may only be transferred to new or existing Principals of the Issuer in accordance with the terms of Form 5D and subject to any legal or other restriction on transfer and to the approval of the Issuer's board of directors, may only be transferred to continuing or, upon their appointment, incoming directors or senior officers of the Issuer or a material operating subsidiary of the Issuer. To apply for a transfer within escrow, the Issuer or owner of the escrowed securities must submit the following documents to the Exchange:

(a) a letter requesting transfer within escrow, identifying the registered and beneficial owner of the escrowed securities (including name and address) and the proposed registered and beneficial owner of the escrowed securities after giving effect to the transfer. If the transfer involves Principal securities, the letter must confirm that the transferee is a Principal of the Issuer;

(b) a notarially certified copy of the escrow security purchase agreement;

(c) Form 5E signed by the transferee consenting to be bound by the terms of the escrow agreement;

(d) a letter from the escrow agent confirming the escrow securities currently held in escrow under the escrow agreement, including the names of the registered owners and the number of securities held by each; and

(e) the applicable filing fee as prescribed by Policy 1.3 - Schedule of Fees.