

POLICY 5.1

LOANS, LOAN BONUSES, FINDER'S FEES AND COMMISSIONS

Scope of Policy

This Policy outlines the Exchange's policies on:

- loans to an Issuer;
- bonuses paid by an Issuer in respect of loans to an Issuer;
- commissions paid by an Issuer in respect of financing transactions; and
- finder's fees paid by an Issuer in respect of non-financing transactions.

The requirements and limitations set forth in this Policy are for the principal purpose of: (a) ensuring proper notice and disclosure of any such transactions and payments; and (b) mitigating the possibility that the consideration received by an Issuer in exchange for loan bonuses, commissions and finder's fees is not bona fide or otherwise inequitable. Issuers are reminded that, separate and apart from the Exchange's requirements, Issuers must ensure that any transactions or payments that fall within the scope of this Policy are conducted in compliance with all applicable corporate law and Securities Law requirements.

The main headings in this Policy are:

1. Loans to Issuers
2. Loan Bonuses
3. Finder's Fees and Commissions
4. Application to Registrants
5. Filing Requirements

1. Loans to Issuers

For the purposes of this Policy, the term "loan" will include any form of debt instrument issued by an Issuer that is not convertible into Listed Shares. With respect to a loan that is convertible into Listed Shares, the requirements of Policy 4.1 – *Private Placements* ("**Policy 4.1**") (see, in particular, Part 2 of Policy 4.1) or, if issued by way of prospectus, Policy 4.2 – *Prospectus Offerings* ("**Policy 4.2**") will apply and the necessary notice and filing should be made in accordance with said Policies and not in accordance with sections 1.2(a) and (b) of this Policy.

1.1 Disclosure

In accordance with the Exchange's timely disclosure policies, an Issuer must disclose by news release any loan or advance of funds to the Issuer which involves any charge on or security interest in its assets or which otherwise constitutes Material Information.

1.2 Notice to Exchange

- (a) The Issuer must provide the Exchange with prompt written notice of the proposed loan if the lender is not a chartered bank, trust company or treasury branch, and:
 - (i) any arrangement exists to issue securities in connection with the loan, either at the time of the loan agreement or at some future date (such as, for example, a bonus comprised of Listed Shares or Warrants granted to a lender or guarantor); or
 - (ii) the Issuer mortgages or charges all or substantially all of its assets as collateral for the loan.
- (b) The notice, in the form of a formal letter, must provide the following information and accompanying documents:
 - (i) the loan agreement and any other loan documents evidencing indebtedness such as a promissory note;
 - (ii) the relationship between the lender or guarantor and the Issuer (including any beneficial ownership of securities of the Issuer);
 - (iii) a description of how the Issuer proposes to service and repay the loan;
 - (iv) a description of how the Issuer proposes to use the proceeds;
 - (v) details of any bonus to be paid pursuant to the loan or guarantee;
 - (vi) confirmation that the loan or guarantee is necessary and would not be granted without the bonus;
 - (vii) where a bonus comprised of Listed Shares or Warrants is to be issued for a guarantee, documentation on which the Issuer has relied in order to assess the guarantor's ability to guarantee the debt. Such documentation may include:
 - (A) a statement of net worth attested to by the Person making the guarantee;
 - (B) a bank letter of credit;
 - (C) the most recent annual audited financial statements of the guarantor; or

- (D) any other evidence acceptable to the Exchange;
- (viii) where a commission or bonus comprised of Listed Shares or Warrants is to be paid in respect of the loan or, as applicable, guarantee, the notice must also include the relevant information and documentation required by section 5.1 of this Policy; and
- (ix) the fee prescribed by Policy 1.3 - *Schedule of Fees*.

1.3 Interest Rates

The Exchange does not prescribe any specific limits for interest rates on either loans to an Issuer or debt instruments issued by an Issuer. The Exchange does, however, expect and require that any interest payable on a loan or other debt instrument will be at a commercially reasonable rate taking into consideration the circumstances of the Issuer and the risks to the lender. In this regard, the Exchange may, at its discretion, request the Issuer to provide a satisfactory analysis of the reasonableness of the interest rate.

2. Loan Bonuses

If the ability of the Issuer to repay a loan is not evident and/or if a guarantee provided by a guarantor represents the Issuer's primary collateral for a loan, the Issuer may, subject to Exchange acceptance, grant a bonus comprised of Listed Shares or non-transferable Warrants (a "**loan bonus**") to the lender or guarantor, as the case may be, in consideration of the risks taken by the lender or guarantor. For greater certainty, loan bonuses will not generally be accepted by the Exchange in circumstances where it is evident that the Issuer has the means or ability to repay the loan in the ordinary course or in circumstances in which the potential risk of non-repayment of the loan has otherwise been materially mitigated at the time the loan is made.

2.1 Notice, Acceptance and Disclosure Requirements

- (a) An Issuer must give advance notice to the Exchange of any proposed loan bonus in the form and manner described in section 5.1 below.
- (b) An Issuer must receive Exchange acceptance of any loan bonus prior to the issuance of the Listed Shares or Warrants comprising the loan bonus.
- (c) The Issuer must issue a news release disclosing the particulars of the loan and the proposed loan bonus prior to providing the notice required by section 2.1(a) above. The news release must include, without limitation, the identity of the lender, the identity of the guarantor (if applicable) and the fact that the loan bonus is subject to Exchange acceptance.

2.2 Bonus Limitations

- (a) Loan bonuses may not be granted to a lender or guarantor in relation to a loan or debt instrument that is convertible into Listed Shares.

- (b) Loan bonuses may be paid in the form of Listed Shares, Warrants or a combination of Listed Shares and Warrants.

If the loan bonus is comprised of Listed Shares only (i.e. it does not include Warrants), the maximum number of Listed Shares that may be issued as a bonus is 20% of the total dollar amount of the loan/guarantee divided by the Market Price (as of the date of the news release required by section 2.1(c) above). Bonus shares are not permitted on loans having a term of less than one year.

If the loan bonus is comprised of Warrants only (i.e. it does not include Listed Shares), the maximum number of Warrants that may be issued as a bonus is equal to the total dollar amount of the loan/guarantee divided by the Market Price (i.e. 100% Warrant coverage). Each Warrant issued as a part of a loan bonus must: (i) have an exercise price that is not less than the Market Price; (ii) entitle the holder to receive no more than one Listed Share on exercise; (iii) subject to section 2.2(e) below, have a term that does not exceed the earlier of five years and the term of the loan; and (iv) be non-transferable. Unlike bonus shares, bonus Warrants are permitted on loans having a term of less than one year.

If the loan bonus is a combination of Listed Shares and Warrants, the above-stated limits on the maximum number of Listed Shares and Warrants will still apply with one Listed Share being treated as equivalent to five Warrants (and vice versa) for the purposes of the calculations. The following illustrative example is provided and assumes a \$100,000 loan and \$0.10 Market Price with the maximum bonus being paid by the Issuer:

All Shares:	200,000 Listed Shares (nil Warrants)
All Warrants:	1,000,000 Warrants (nil shares)
Even Split:	100,000 Listed Shares and 500,000 Warrants

- (c) Except as permitted by section 2.2(d) below, only one loan bonus may be granted on a loan regardless of the term of the loan. For greater certainty: (i) a loan bonus may not be granted to both the lender and the guarantor in respect of a loan; and (ii) in the case of multiple guarantors for the same loan, the aggregate loan bonus granted to the guarantors must not exceed the limits prescribed by section 2.2(b) above.
- (d) If a loan is renewed or extended beyond its original term:
- (i) A loan bonus comprised of Listed Shares will not be permitted in respect of the renewal or extension if the proposed loan bonus, when aggregated with any other loan bonus granted in respect of the loan (whether in the form of Listed Shares or Warrants), would exceed the limits prescribed by section 2.2(b) above as calculated at the time the loan was originally made.

- (ii) Subject to Exchange acceptance, a loan bonus comprised of Warrants may be permitted in respect of the renewal or extension. Any previously issued loan bonus in respect of the original loan (whether in the form of Listed Shares or Warrants) will not be factored into determining the limit on the number of new bonus Warrants that may be issued in connection with the renewal or extension of the loan. It should be noted, however, that per the limit on the term of bonus Warrants set forth in section 2.2(b) above, any previously issued bonus Warrants that remain outstanding at the time of the renewal or extension must expire concurrently with the renewal or extension of the loan on the basis that the Exchange will, for these purposes, consider the term of the original loan to have elapsed upon its renewal or extension.

For the purposes of determining the acceptability of the issuance of any loan bonus in respect of a loan renewal or extension, the Exchange must be satisfied that at the time of renewal or extension the ability of the Issuer to repay a loan is not evident and/or the guarantee represents the Issuer's primary collateral for a loan.

- (e) For loans with a term of one year or less, the Exchange will permit any bonus Warrants issued in connection therewith to have up to a one year term regardless of the term of the loan. For example, any bonus Warrants that the Exchange accepts in respect of a six month loan may have a term of up to one year. (For greater certainty in interpreting section 2.2(d)(ii) above in these circumstances, on renewal or extension of any such loan, any bonus Warrants originally issued in connection therewith must expire concurrently with the renewal or extension of the loan irrespective of the fact that this section 2.2(e) initially permitted the term of the bonus Warrants to exceed the term of the loan.)

For loans with a term of greater than one year, the bonus Warrants must provide that if the loan is reduced or repaid during the first year of its term, a pro rata number of the total bonus Warrants must have their term reduced to the later of one year from issuance of the Warrants and 30 days from the reduction or repayment of the loan. For example, if 1,000,000 bonus Warrants are issued with a five year term in respect of a \$100,000 loan and if \$75,000 of the loan is repaid within six months, then 750,000 of the bonus Warrants must have their term reduced to one year while the remaining 250,000 bonus Warrants will maintain their five year term. If the balance of \$25,000 is repaid on the last day of the first year of the term, then the remaining 250,000 bonus Warrants must have their term reduced to 30 days from the date of the repayment.

Guidance Notes for Part 2:

- N.1. **Arm's Length Commercial Lender:** In respect of a proposed loan bonus to a lender, the Exchange may, on a case by case basis, exercise some discretion with respect to both: (1) the requirement that the ability of the Issuer to repay the loan is not evident; and (2) the requirement in section 2.2(b) that a bonus of Listed Shares is not permitted on loans having a term of less than one year, if all of the following conditions are met to the Exchange's satisfaction: (a) the lender is

a Person in the business of making commercial loans; (b) the lender is not a Non-Arm's Length Party to the Issuer; (c) the Issuer confirms that the funds are required by the Issuer and the loan can't be secured without the issuance of the loan bonus; and (d) such other conditions as the Exchange may consider necessary or advisable in the specific circumstances under consideration. In cases where the Exchange accepts a bonus of Listed Shares on a loan having a term of less than one year, the Exchange may require that the 20% limit on the maximum number of Listed Shares that may be issued as a loan bonus be scaled back in relation to the term of the loan. For example, if the loan has a term of six months, the Exchange may limit the maximum number of Listed Shares that may be issued as a loan bonus to 10% of the total dollar amount of the loan divided by the Market Price.

- N.2. **Term of Loan:** For the purposes of section 2.2, the Exchange shall consider the term of any loan as ending on the date that the Issuer is required to repay the loan. For this reason, the Exchange may not treat the nominal term of a loan as the term of the loan for the purposes of section 2.2. The number of bonus Listed Shares and the term of any bonus Warrants must comply with this Exchange interpretation. By way of example, if a loan has a nominal term of two years but is repayable in two equal instalments at the end of each year during such two year term, the Exchange will, for the purposes of section 2.2, treat the loan as two separate loans (each for ½ of the total principal amount of the loan) having terms of 12 and 24 months respectively.

For a loan that is repayable upon demand of the lender (whether from the outset or following some specified point in time), the term of the loan, for the purposes of this section 2.2, will coincide with the point in time the demand right becomes available to the lender. For example, if a loan is repayable upon demand of the lender following 30 days of the loan amount being provided to the Issuer, the term of the loan will be considered to be 30 days for the purposes of this section 2.2 irrespective of whether or not the lender actually demands repayment at such time.

- N.3. **Credit Facilities:** For a line of credit or other similar arrangement pursuant to which a Person makes an amount of funds available to the Issuer that the Issuer may draw down upon from time to time (and thereafter be required to repay such amounts) (a "**Credit Facility**"), the maximum number of permitted bonus Listed Shares and bonus Warrants can be based upon the full amount of the Credit Facility, however, the timing of the issuance of the bonus securities must be tied to the timing of the availability of the funds to the Issuer. For example, if the Issuer has unfettered access to the full amount of the Credit Facility at the outset, the entire bonus can be issued at the outset. If, however, the Issuer only has unfettered access to a specified portion of the Credit Facility at the outset (with access to the balance being subject to restrictions), then only the corresponding portion of the bonus can be issued at the outset with the balance of the bonus (or portion thereof) being issuable upon the Issuer having unfettered access to the corresponding balance of the Credit Facility.

3. Finder's Fees and Commissions

If a Person facilitates the completion of a transaction between an Issuer and another Person and the Issuer receives a measurable benefit (see section 3.2(e) below) as a result of the completion of such transaction, the Issuer can, subject to the requirements and limitations set forth in this Policy, reward the efforts of such Person by paying them a finder's fee (in respect of a non-financing transaction) or a commission (in respect of a financing transaction) in the form of cash, Listed Shares, Warrants or an interest in assets. Appropriate registration and Prospectus exemptions must be available for any issuance of securities.

3.1 Notice, Acceptance and Disclosure Requirements

- (a) An Issuer must give advance notice to the Exchange of any proposed finder's fee or commission in the form and manner described in section 5.1 of this Policy.
- (b) An Issuer must receive Exchange acceptance of any finder's fee or commission and, as applicable, the transaction in respect of which the finder's fee or commission is being paid prior to the payment of the finder's fee or commission.
- (c) In the case of a non-financing transaction, the Issuer must issue a news release disclosing the particulars of a proposed finder's fee and the transaction in respect of which the finder's fee is being paid prior to providing the notice required by section 3.1(a) above. The news release must include, without limitation, the identity of the Person receiving the finder's fee and the fact that the finder's fee or commission is subject to Exchange acceptance.

In the case of a financing transaction, the Issuer must issue a news release disclosing the particulars of any commissions no later than immediately following completion of the financing. The news release must include, without limitation, the identity of the Person receiving the commission.

- (d) Notwithstanding sections 3.1(a) and (b), an Issuer is not required to provide notice to the Exchange or receive Exchange acceptance of any finder's fee or commission payable to a Person in respect of a transaction if: (i) the Person is not a Non-Arm's Length Party of the Issuer; (ii) the finder's fee or commission is payable in cash only; (iii) in the case of a finder's fee, the amount of the finder's fee is in compliance with the limitations set forth in section 3.3 below; and (iv) the transaction is one that does not require Exchange acceptance (such as, for example, an Exempt Transaction under Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets*).

3.2 Criteria

Arm's Length Finder or Agent

- (a) An Issuer may not pay a finder's fee or commission to a Non-Arm's Length Party to an Issuer, an employee of the Issuer or a Person engaged in Investor Relations Activities on behalf of the Issuer. The Exchange can waive this requirement, at its discretion, if the Issuer satisfies the Exchange that the Person was specifically commissioned by the Issuer to locate, arrange or acquire a measurable benefit for the Issuer which it would not have otherwise obtained, or, if the Issuer otherwise provides the Exchange with satisfactory reasons for the finder's fee or commission.

Arm's Length Vendor or Investor

- (b) The Exchange does not generally consider it appropriate for an Issuer to pay a finder's fee or a commission to any Person in respect of a transaction between an

Issuer and one of its Principals or employees or a Person engaged in Investor Relations Activities on behalf of the Issuer. The Exchange may refuse to accept a proposed finder's fee or commission on this basis. If such a finder's fee or commission is proposed, the Issuer should be prepared to justify, to the Exchange's satisfaction, the necessity of the payment of such finder's fee or commission.

Guidance Note:

N.1. The Exchange acknowledges that in the context of brokered financing transactions, an Issuer may be required to pay a commission to the agent in respect of all subscriptions, including those made by the Issuer's Principals and employees and Persons engaged in Investor Relations Activities on behalf of the Issuer. The Exchange will not generally object to the payment of a commission to the agent in such circumstances, however, it is suggested that in negotiating the terms of an agent's compensation, the Issuer take reasonable efforts to exclude subscriptions made by such Persons from the calculation of the agent's commission.

Restrictions on Finding Oneself

- (c) Except as provided for in section 3.2(d) below, the Exchange will not permit an Issuer to pay, directly or indirectly: (i) a commission to an investor in respect of such Person's own investment in the Issuer; or (ii) a finder's fee to a vendor or purchaser in respect of such Person's sale or purchase of assets or services to or from the Issuer.
- (d) Exceptions to the requirements of section 3.2(c) above include:
 - (i) commissions payable to a Company that is a Registrant in consideration for any securities it acquires as principal pursuant to a brokered financing for which it is acting as agent or underwriter (an "**Underwriter Purchase**"); and
 - (ii) commissions or finder's fees payable to a Person in respect of a transaction with such Person if that Person was, prior to and independent of the consummation of such transaction, retained by written agreement with the Issuer to source capital (in the case of a financing transaction) or seek out a buyer/seller of assets or services or perform a similar function (in the case of a non-financing transaction).

The Exchange may be amenable to not applying the requirements of section 3.2(c) in other circumstances, as may be determined on a case by case basis. In any event, however, except in the case of an Underwriter Purchase the Exchange will not accept the payment of any such commission or finder's fee if it would cause the net amount paid by the Person for the securities it receives under the transaction (being the amount paid by the Person to the Issuer for the securities it receives less the value of the commission or finder's fee paid by the Issuer to the

Person) to be less than the applicable minimum issue price permitted by Exchange Policies.

Measurable Benefit

- (e) As stated above, an Issuer may pay a finder's fee or commission to a Person who facilitates the completion of a transaction between the Issuer and another Person and the Issuer receives a measurable benefit as a result of the completion of such transaction.

In the case of a non-financing transaction, the measurable benefit will typically be the value of the asset or service that was purchased or sold by the Issuer as a direct result of the efforts of the Person receiving the finder's fee. If the measurable benefit is staged such that it will be received by the Issuer over time (for example a staged asset purchase/sale or an ongoing joint venture), the Exchange will generally focus only on the measurable benefit received by the Issuer in the first year (see also section 3.2(f) below).

In the case of a financing transaction, the measurable benefit will typically be the amount actually invested by investors that were introduced to the Issuer by the Person receiving the commission.

When Payable

- (f) In terms of timing of the payment, a finder's fee or commission must not be paid until the measurable benefit has in fact been received by the Issuer. If an Issuer proposes to pay fees for benefits to be received in the future, particularly more than one year, the fee or commission must be paid in stages as the benefits are received by the Issuer. However, if the outcome of a transaction is outside the control of the Person receiving the fee, and the benefit cannot reasonably be determined, the Exchange will generally only permit the Issuer to pay a finder's fee or commission based on the finder's actual costs plus a reasonable profit to compensate for time and effort.

Payment in Warrants

- (g) Any Warrants issued as part of a finder's fee or commission must be non-transferable and have a maximum term of five years from the date of issuance.

In the case of Warrants forming part of a finder's fee for a non-financing transaction: (i) each Warrant must entitle the holder to receive no more than one Listed Share on exercise; and (ii) the exercise price must be no less than the greater of the per share transaction price and the Market Price (as of the date of the news release required by section 3.1(c) above).

In the case of Warrants forming part of a commission for a financing transaction (a "**Commission Warrant**"): (i) each Commission Warrant must entitle the holder to receive no more than one Listed Share on exercise unless the financing

involved the issuance of units comprised of a Listed Share and a Warrant (whole or fractional), in which case the Commission Warrant may entitle the holder to receive, on exercise, a unit identical to those sold under the financing; and (ii) the exercise price must be no less than, as applicable: (A) the per share/unit offering price in the case of a share or unit financing; (B) the initial Conversion Price (as term is defined in Policy 4.1) in the case of a Convertible Security (as defined in Policy 4.1) financing; or (C) the Market Price in the case of a non-convertible debt financing (as of the date of announcement of the financing).

3.3 Finder's Fee Limitations

The finder's fee limitations apply if the measurable benefit to the Issuer is an asset purchase or sale, joint venture agreement, or if the benefit to the Issuer is not a specific financing. The consideration should be stated both in dollars and as a percentage of the value of the measurable benefit received. Unless there are unusual circumstances, the Exchange will not accept a finder's fee that exceeds the following percentages:

Benefit	Finder's Fee
On the first \$300,000	Up to 10%
From \$300,000 to \$1,000,000	Up to 7.5%
From \$1,000,000 and over	Up to 5%

The finder's fee limitations are in respect of the aggregate compensation (whether in the form of cash, Listed Shares, Warrants or other asset or a combination thereof) paid by the Issuer to the Person receiving the finder's fee. For the purposes of these calculations: (i) each Listed Share forming a part of the finder's fee will have a deemed value equal to the Market Price of the Listed Shares (as of the date of the news release required by section 3.1(c) above); and (ii) each Warrant forming a part of the finder's fee will have a deemed value equal to 50% of the Market Price of the Listed Shares.

3.4 Commission Limitations

The Exchange does not prescribe limits on the cash component of any commission (or the cash component of any other form of compensation (e.g. corporate finance fee, corporate advisory fee, etc.)) payable by the Issuer in respect of a financing transaction.

If a commission (or other form of compensation) payable by an Issuer in respect of a financing transaction includes Listed Shares or Warrants, the aggregate value of the Listed Shares and Warrants cannot exceed 12.5% of the gross proceeds of the financing. For the purposes of these calculations:

- (a) each Listed Share will have a deemed value equal to, as applicable: (i) the per share/unit offering price in the case of a share or unit financing; (ii) the initial Conversion Price (as defined in Policy 4.1) in the case of a Convertible Security (as defined in Policy 4.1) financing; or (iii) the Market Price in the case of a non-convertible debt financing (as of the date of announcement of the financing); and

- (b) each Warrant (irrespective of the number and nature of the securities underlying the Warrant) will have a deemed value equal to 50% of the value attributed to a Listed Share under (a) above.

4. Application to Registrants

- 4.1 Bonuses, finder's fees and commissions payable to Registrants are governed by this Policy, except that Registrants are not subject to the finder's fee and commission limitations set out in sections 3.3 and 3.4.
- 4.2 Issuers should be aware that directors, officers, partners, registered representatives, traders, assistant traders and employees in or of a Company that is a Registrant (a "**Registrant Firm**") may be restricted by the Registrant Firm or applicable laws from:
 - (a) directly or indirectly selling properties or other assets to, or acquiring properties or other assets from, Issuers; or
 - (b) receiving any direct or indirect compensation for acting as a finder for, or agent of, an Issuer.

5. Filing Requirements

5.1 Notice

Except as set forth in section 3.1(d) above, the Issuer must provide the Exchange with written notice of any proposed loan bonus, finder's fee or commission. The notice, in the form of a formal letter, must provide the following information and accompanying documents (and, as applicable, such other information and documents as may be required per section 5.2 below):

- (a) notice from the Issuer or its counsel of any registration and Prospectus exemptions being relied upon by the Issuer and the registration exemption being relied upon by the finder;
- (b) a copy of the agreement relating to the loan bonus, finder's fee or commission;
- (c) a copy of the related Private Placement, acquisition or loan agreement if not already filed (the Exchange prefers that these agreements be filed simultaneously);
- (d) in the case of a finder's fee or commission, confirmation that the finder or agent is, as applicable, either: (i) not a Non-Arm's Length Party to the Issuer; or (ii) a Non-Arm's Length Party to the Issuer (in which case the particulars of the non-arm's length relationship must also be provided along with a justification for the payment of the finder's fee or commission per section 3.2(a) above);
- (e) with a view to the requirements, limitations and guidance set forth in this Policy 5.1, such other information as the Issuer considers relevant to the Exchange's

consideration of the acceptability of the proposed loan bonus, finder's fee or commission, as the case may be; and

(f) the fee prescribed by Policy 1.3 - *Schedule of Fees*.

5.2 Where there is a loan or advance of funds made to the Issuer that is provided in conjunction with, or in relation to, a proposed loan bonus, finder's fee or commission, then the notice referred to in section 5.1, must also include the relevant information and accompanying documents set forth in section 1.2(b) of this Policy.

5.3 Further News Releases and Notice

The Issuer must issue a news release announcing the closing of the Private Placement, acquisition, loan agreement or any other transaction related to the issuance of the loan bonuses, finders' fees or commissions. The news release must disclose the expiry dates of the hold period(s) for the securities issued as loan bonuses, finders' fees or commissions, and for any securities issued as part of the related transaction.
