

## POLICY 4.5

### RIGHTS OFFERINGS

#### Scope of Policy

A rights offering financing enables an Issuer to raise capital and provides existing Shareholders with the opportunity to participate in the financing. The purpose of this Policy is to set out the Exchange's requirements for a rights offering.

A rights offering occurs when an Issuer issues to its own Shareholders, at no cost, rights that may be exercised to purchase additional securities of the Issuer. Shareholders may choose to exercise the rights to obtain the additional securities or, in some circumstances, may choose to sell the rights.

A rights offering may be effected using a Prospectus (a "**Prospectus Rights Offering**"), or it may be effected in reliance upon an exemption from the Prospectus requirement (a "**Prospectus-Exempt Rights Offering**"). In this Policy, the phrase "**rights offering**" includes both Prospectus Rights Offerings and Prospectus-Exempt Rights Offerings.

For a Prospectus Rights Offering, a "rights offering Prospectus", and for a Prospectus-Exempt Rights Offering, a "rights offering notice" with a "rights offering circular" (such documents being referred to in this Policy as the "**Rights Offering Document**") are required to be prepared by the Issuer. An Issuer's Rights Offering Document is required to be sent or made available, as applicable, to its existing Shareholders.

An Issuer proposing to make a Prospectus Rights Offering should also review, among other things, the applicable prospectus requirements in National Instrument 41-101 – *General Prospectus Requirements* and its related guidance and forms and, if applicable, National Instrument 44-101 – *Short Form Prospectus Distributions* and its related guidance and forms.

An Issuer proposing to make a Prospectus-Exempt Rights Offering should also review, among other things, National Instrument 45-106 – *Prospectus Exemptions*, Form 45-106F14 – *Rights Offering Notice for Reporting Issuers*, Form 45-106F15 – *Rights Offering Circular for Reporting Issuers* and Companion Policy 45-106CP - *Prospectus Exemptions*.





- (e) If there is insufficient distribution of the outstanding Warrants for an orderly market, the Exchange can declare that the remaining Warrants will only be traded on a cash basis. Further, as the Warrants have an expiry date, ~~they must be traded on a cash basis during the days preceding~~ trading in the Warrants shall be for cash same day settlement on the expiry date as set out in Rule C.2.18 of the TSX Venture Exchange Rule Book and Policies. On the expiry date of the Warrants, trading in the Warrants shall cease at 9:00 a.m. (Vancouver time), 10:00 a.m. (Calgary time) and 12:00 noon (Toronto and Montréal time).
- (f) If the Warrants which form part of the Units issued on the exercise of the rights under a Unit Rights Offering are not transferable, then:
- (i) the certificates representing the non-transferable Warrants must be issued in the name of the holder and must have the words “non-transferable” prominently displayed on them;
  - (ii) the Rights Offering Document must clearly disclose that the Warrants are non-transferable; and
  - (iii) the Exchange will not list or trade the Warrants.
- (g) A Warrant forming part of a Unit acquired on the exercise of a right must not entitle the holder to acquire a further Warrant, whether transferable or otherwise, upon its exercise.

## 2. Securities Law Matters

- 2.1 An Issuer should refer to the applicable Securities Laws to determine what documents must be filed with the Securities Commission(s).
- 2.2 A Prospectus Rights Offering must be effected by means of a Prospectus in compliance with applicable Securities Laws and the requirements of this Policy. Canadian jurisdictions also have Securities Laws that provide a Prospectus exemption for rights offerings, in which case a Prospectus-Exempt Rights Offering may be effected by means of a rights offering notice with a rights offering circular in compliance with applicable Securities Laws and the requirements of this Policy.
- 2.3 In the case of a Prospectus Rights Offering or a Prospectus-Exempt Rights Offering, the Issuer must make filings with both the Exchange and all applicable Securities Commissions. The Securities Laws of all jurisdictions where a rights offering will be made must also be considered, which may require filings with other securities regulators. A rights offering cannot proceed until all the relevant securities regulators have received the relevant filings and, in the case of a Prospectus Rights Offering, the applicable Securities Commission(s) issued a receipt for the Prospectus.
- 2.4 If some Shareholders are resident in jurisdictions where the rights may not legally be given to them (the “**Non-Qualifying Jurisdictions**”), and if the rights are listed for trading on the





until the Exchange has notified the Issuer that the results of the review of the relevant PIFs are satisfactory.

- 4.3 Once the rights have been issued, the essential terms of the rights offering, such as the exercise price or the expiry date cannot be amended. However, the Exchange may grant an exemption to extend the expiry date under extremely exceptional circumstances, such as an unexpected postal disruption, provided that the rights have not traded and to do so is in compliance with all applicable Securities Laws.

## 5. Transferability and “ex-rights” Trading

- 5.1 Rights issued by an Issuer must be transferable, although the Issuer may elect whether to list the rights for trading on the Exchange. Any proposed restriction on the transfer of unlisted rights must receive the prior consent of the Exchange.

- 5.2 If the Issuer elects to list the rights for trading on the Exchange:

- (a) the rights will be listed and commence trading on the Exchange at the opening of trading on ~~the first trading day preceding~~ the record date, and at the same time, the underlying Listed Shares of the Issuer will commence trading on an “ex-rights” basis, which means that purchasers of the Listed Shares at that time are not entitled to receive the rights;
- (b) the rights will trade under normal settlement rules ~~until they are required to be traded on a cash basis during the days preceding~~ and as the rights have an expiry date, trading in the rights shall be for cash same day settlement on the expiry date as set out in Rule C.2.18 of the TSX Venture Exchange Rule Book and Policies;
- (c) the following chart shows the typical timing for the Exchange Bulletin and ex-rights day in relation to a record date which falls on a Friday:

<b>Day (chronological)</b>					1	2	3
<b>Day of the week</b>					Thursday	Friday	Saturday
<b>Event</b>					Requirements in section 3.4 are satisfied	Clear Day	---
<b>Day (chronological)</b>	4	5	6	7	8	9	
<b>Day of the Week</b>	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
<b>Event</b>	---	Clear Day  <del>Exchange Bulletin is finalized for publication on Day 6</del>	Clear Day  Exchange Bulletin is <del>published</del> <u>finalized for publication on Day 7</u>	Clear Day  <del>Last day to trade cum-rights Exchange Bulletin is published</del>	Clear Day  <del>Shares Last day to trade cum-rights commence trading</del>	Record Date  <u>Shares trade ex-rights at the opening; rights commence trading at the opening</u>	

- (d) ~~the Exchange will cease~~ On the expiry date of the rights, trading ~~of~~ in the rights ~~on the Exchange shall cease~~ at 9:00 a.m. (Vancouver time), 10:00 a.m. (Calgary time), and 12:00 noon (Toronto and Montréal time) ~~on the expiry date of the rights~~; and
- (e) in order to provide adequate time for settlement, the rights should not expire less than three hours after the rights cease trading on the Exchange.

## 6. Stand-by Commitment

6.1 If an Issuer requires a certain amount of funds for a specific use, the Issuer must determine a minimum subscription which must be guaranteed, and in other circumstances the Issuer may determine that the rights offering will be guaranteed, by a Person (the “**stand-by guarantor**”) which the Issuer has confirmed has the financial ability to satisfy such stand-by commitment to acquire some or all of the securities which are not otherwise subscribed for under the rights offering.





