

## POLICY 2.4

# CAPITAL POOL COMPANIES

### Scope of Policy

This Policy applies to any Issuer that proposes to list on the Exchange as a capital pool company (a “CPC”). The Exchange’s CPC program was designed as a corporate finance vehicle to provide businesses with an opportunity to obtain financing earlier in their development than might be possible with an IPO. The CPC program permits an IPO to be conducted and an Exchange listing to be achieved by a newly created company that has no assets, other than cash, and has not commenced commercial operations. The CPC then uses this pool of funds to identify and evaluate assets or businesses which, when acquired, qualify the CPC for listing as a regular Tier 1 Issuer or Tier 2 Issuer on the Exchange.

This Policy outlines the procedures for listing a CPC on the Exchange and the procedures to be followed and standards to be applied when a CPC undertakes a Qualifying Transaction.

The main headings in this Policy are:

1. Definitions
2. Overview of Process
3. Initial Listing Requirements for CPCs
4. Disclosure Required in a CPC Prospectus
5. Agents
6. Other Options Issued by the CPC
7. Use of Proceeds and Prohibited Payments
8. Restrictions on Trading
9. Private Placements for Cash
10. Escrow
11. Qualifying Transaction
12. Information Circular and Filing Statement
13. Other Requirements
14. CPC Combinations
15. Transition

# 1. Definitions

## 1.1 In this Policy:

“**Agent**” means any Person registered under applicable Securities Laws to act as an agent to offer and sell the IPO Shares on behalf of the CPC which has entered into a best efforts agency agreement with the CPC.

“**Agent’s Option**” means an option to purchase Common Shares of the CPC which may be granted to the Agent in accordance with section 5.2(c) or section 9.7(b).

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

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements or to complete the transaction; and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non-Arm’s Length Parties to the CPC or the Non-Arm’s Length Parties to the Qualifying Transaction.

“**AMF**” means the Autorité des marchés financiers.

“**Bridge Financing**” has the meaning ascribed to that phrase in section 9.4.

“**Commissions**” refers to the Securities Commissions with which the CPC Prospectus is filed.

“**Common Shares**” means single voting common shares of an Issuer, or in the case of a CPC that is a trust, means single voting trust units of the Issuer.

“**Completion of the Qualifying Transaction**” means the date of the Final QT Exchange Bulletin issued by the Exchange.

“**Concurrent Financing**” has the meaning ascribed to that phrase in section 9.5.

“**Conditional Acceptance**” has the meaning ascribed to that phrase in section 11.4.

“**Conditional Acceptance Documents**” has the meaning ascribed to that phrase in section 11.5.

“**Corporate Opinion**” has the meaning ascribed to that phrase in section 11.3(k).

“CPC” or “Capital Pool Company” means a corporation or trust:

- (a) that has filed and obtained a receipt for a preliminary CPC Prospectus from one or more of the Commissions in compliance with this Policy; and
- (b) in regard to which the Final QT Exchange Bulletin has not yet been issued.

“CPC Escrow Agreement” means the Form 2F – *CPC Escrow Agreement*.

“CPC Filing Statement” means the Filing Statement of the CPC prepared in accordance with Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction*, which provides full, true and plain disclosure of all material facts relating to the CPC and the Significant Assets.

“CPC Information Circular” means the Information Circular of the CPC prepared in accordance with applicable Securities Laws and Form 3B1 – *Information Required in an Information Circular for a Qualifying Transaction*, which provides full, true and plain disclosure of all material facts relating to the CPC and the Significant Assets.

“CPC Prospectus” means an IPO Prospectus prepared in accordance with Form 3A – *Information Required in a CPC Prospectus*, this Policy and the Securities Laws in the jurisdictions where the Distribution is made.

“CPC Stock Options” has the meaning ascribed to that phrase in section 6.1.

“Disclosure Document” means the CPC Filing Statement or the CPC Information Circular, as the case may be, or the Prospectus if required by section 11.1(f).

“Escrow Securities” has the meaning ascribed to that phrase in section 10.1.

“Escrow Shares” has the meaning ascribed to that phrase in section 10.1.

“Final Documents” has the meaning ascribed to that phrase in section 11.7.

“Final QT Exchange Bulletin” means the bulletin issued by the Exchange following the closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

“Former Policy” means the version of Policy 2.4 – *Capital Pool Companies* (as at June 14, 2010) that was in effect on December 31, 2020, a copy of which is attached as Schedule “A”.

“General Prospectus Rules” means National Instrument 41-101 – *General Prospectus Requirements*.

“Initial Documents” has the meaning ascribed to that phrase in section 11.3.

“IPO Shares” means the Common Shares offered to the public pursuant to the IPO of the CPC.

“Majority of the Minority Approval” means the approval by the majority of the votes cast at a meeting of Shareholders of the CPC, or by the written consent of Shareholders holding more than 50% of the issued Listed Shares of the CPC, provided that the votes attached to Listed Shares of the CPC held by the following Persons and their Associates and Affiliates are excluded from the calculation of any such approval or written consent:

- (a) Non-Arm’s Length Parties to the CPC;
- (b) Non-Arm’s Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if a CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction.

“**Non-Arm’s Length Parties to the Qualifying Transaction**” means the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Company(ies), the Non-Arm’s Length Parties of the Vendor(s), the Non-Arm’s Length Parties of any Target Company(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

“**Non-Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“**Option Shares**” has the meaning ascribed to that phrase in section 10.1.

“**Qualifying Transaction**” means a transaction where the CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

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

- (a) the Significant Assets and/or Target Company;
- (b) the parties to the Qualifying Transaction;
- (c) the value of the Significant Assets and/or Target Company and the consideration to be paid or otherwise identifies the means by which the consideration will be determined; and
- (d) the conditions to any further formal agreements or completion of the Qualifying Transaction.

“**Reporting Issuer Opinion**” has the meaning ascribed to that phrase in section 11.3(l).

“**Resulting Issuer**” means the Issuer that was formerly a CPC, which exists upon issuance of the Final QT Exchange Bulletin.

“**SEDAR**” means the filing system referred to in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* or its successor legislation (or its successor system).

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the Initial Listing Requirements. See Policy 2.1 – *Initial Listing Requirements*.

“**Target Company**” means a Company to be acquired by the CPC as its Significant Assets pursuant to a Qualifying Transaction.

“**Title Opinion**” has the meaning ascribed to that phrase in section 11.3(j).

“**Vendor(s)**” means one or all of the beneficial owners of the Significant Assets and/or Target Company.

## **2. Overview of Process**

The following is a summary only and is subject to, and supplemented by, the more detailed information and requirements set forth in this Policy.

### **2.1 General Matters**

The CPC program is a two-stage process. The first stage involves the filing and clearing of a CPC Prospectus, the completion of the IPO and the listing of the CPC’s Common Shares on the Exchange. The second stage involves a Qualifying Transaction Agreement in respect of a proposed Qualifying Transaction, and the preparation and filing with the Exchange of a comprehensive Disclosure Document. Where the proposed Qualifying Transaction is a Non-Arm’s Length Qualifying Transaction, the CPC must obtain Majority of the Minority Approval of the Qualifying Transaction. Where the proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction, the Exchange will not require the CPC to obtain Shareholder approval of the Qualifying Transaction provided that it files the CPC Filing Statement or a Prospectus. Where the proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction but Shareholder approval is otherwise required by law (including where there will be a change of auditor, election of new directors, or in an amalgamation situation), the CPC may restrict the Shareholder approval to those transactions for which Shareholder approval is required by law.

### **2.2 Stage One – CPC Prospectus and Exchange Listing**

- (a) The CPC program is not available in all jurisdictions. Accordingly, Issuers must determine whether the CPC program is available in each jurisdiction in which the CPC Prospectus is proposed to be filed. Each of the Commissions retains discretion to determine whether or not to issue a receipt for a CPC Prospectus.
- (b) The CPC must retain an Agent who will sign the CPC Prospectus as underwriter.
- (c) The preliminary CPC Prospectus and all supporting documents required by applicable Securities Laws are concurrently filed via SEDAR with the Exchange and with the Commissions in those jurisdictions where the Distribution is to be made. Concurrently with the filing of the preliminary CPC Prospectus, the CPC must also make an application to the Exchange for conditional acceptance of the listing of the CPC. See Policy 2.3 – *Listing Procedures*.

- (d) Where the IPO will be conducted in one province only, the CPC Prospectus must be filed with the regional office of the Exchange in the jurisdiction where the IPO is to be conducted. If the IPO is to be conducted in a region with no corresponding Exchange regional office, the filer may choose the office it wishes to vet the CPC Prospectus. If the IPO is conducted in more than one jurisdiction, the CPC Prospectus should be filed with the regional office of the Exchange corresponding to the principal regulator pursuant to National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions*.
- (e) The Exchange will issue comments in regard to the preliminary CPC Prospectus and the Application for Listing. All comments from the Exchange and all responses made by the CPC to the Exchange, relating to the preliminary CPC Prospectus and CPC Prospectus must be communicated via SEDAR. When the CPC has satisfactorily resolved the significant comments of the Exchange, the Application for Listing will then be presented to the Exchange’s listings committee for consideration. If the Application for Listing is conditionally accepted, and the Commissions indicate via SEDAR that they are clear to receive final materials, the CPC will file its final CPC Prospectus and all supporting documents via SEDAR with the Exchange and the Commissions.
- (f) After each applicable Commission has issued a final receipt for the CPC Prospectus, the CPC proceeds to close the IPO. After the closing of the IPO, final listing documentation, as required under Policy 2.3 – *Listing Procedures*, is filed with the Exchange. If all final listing documentation is satisfactory, the Exchange issues an Exchange Bulletin evidencing its final acceptance of the documents and indicating that the CPC’s Common Shares will commence trading on the Exchange on the date determined by the Exchange after consultation with the CPC. On the date specified in the Exchange Bulletin, the Common Shares will commence trading on Tier 2 of the Exchange with the designation “.P” beside the stock symbol to indicate that the Issuer is a CPC.

### **2.3 Stage Two – Completion of a Qualifying Transaction**

- (a) The second stage of the CPC program is triggered when there is a Qualifying Transaction Agreement to acquire the Significant Assets that form the basis of the CPC’s Qualifying Transaction. As soon as the CPC reaches a Qualifying Transaction Agreement, it must notify the Exchange and the Regulation Services Provider and the Listed Shares of the CPC will immediately be subject to a trading halt, and the CPC must issue a comprehensive news release as described in section 11.2. When the CPC anticipates that it will be issuing such news release, it must immediately send a copy of the draft news release to the Exchange for its prior review. A Material Change report must also be filed pursuant to applicable Securities Laws.

- (b) Trading in the Listed Shares of the CPC will be halted pursuant to section 13.6(a) pending announcement of the Qualifying Transaction Agreement made in accordance with section 11.2. Trading will remain halted until each of the following has occurred:
- (i) a comprehensive news release, accepted by the Exchange, has been issued;
  - (ii) where the transaction is subject to sponsorship, the Exchange has received a Form 2G – *Sponsorship Acknowledgement Form*, and the accompanying documents as may be required by Policy 2.2 – *Sponsorship and Sponsorship Requirements*;
  - (iii) the Exchange has received a Form 2A – *Personal Information Form* or, if applicable, a Form 2C1 – *Declaration* from each Person who will be a director, senior officer, Promoter (including a Promoter as described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*) or other Insider of the Resulting Issuer, and if any of these Persons is not an individual, a Personal Information Form or, if applicable, Declaration, from each director, senior officer and Control Person of that Person;
  - (iv) the Exchange has completed all preliminary background searches it considers necessary or advisable; and
  - (v) the Exchange has completed a preliminary assessment, including receipt of a Geological Report and audited financial statements, if applicable, of the ability of the Resulting Issuer to satisfy Exchange Requirements following the Qualifying Transaction and has reviewed any potentially significant issues involving the Qualifying Transaction.

The Exchange recommends that a pre-filing conference, as contemplated by Policy 2.7 – *Pre-Filing Conferences*, be held by a CPC, particularly where the Qualifying Transaction Agreement or proposed Qualifying Transaction may involve unique or unusual circumstances.

For the circumstances where a Sponsor Report is required, see Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

- (c) Notwithstanding the satisfaction of the conditions in section 2.3(b), the Exchange may continue or reinstate a halt in trading of the Listed Shares of a CPC for reasons that may include:
- (i) the nature of the proposed business of the Resulting Issuer is or will be unacceptable to the Exchange; or
  - (ii) the number of conditions precedent that are required to be satisfied by the CPC in order to complete the Qualifying Transaction, or the nature or number of any deficiency or deficiencies required by the Exchange to be

resolved is or are so significant or numerous, as to make it appear to the Exchange that the halt should be reinstated or continued.

- (d) The CPC has 75 days from the announcement of the Qualifying Transaction Agreement to make the initial submission required by section 11.3. The primary documents in the initial submission include the draft Disclosure Document, and if there is a Sponsor, confirmation that the Sponsor has reviewed the draft Disclosure Document in accordance with section 11.3(b). See also Policy 2.2 – *Sponsorship and Sponsorship Requirements*. The CPC must prepare and file the CPC Information Circular, proxy material and related information where Shareholder approval is required for the Qualifying Transaction and is to be obtained at a meeting of Shareholders of the CPC. Where Shareholder approval is not required or will be evidenced by the written consent of Shareholders, the CPC Filing Statement or Prospectus serves as the Disclosure Document. The Exchange reviews the draft Disclosure Document and the supporting documents including, if applicable, the preliminary Sponsor Report, and advises of any comments. Provided that the comments in the initial Exchange comment letter are not of a substantial nature, where Shareholder approval is required, the Exchange will permit the CPC to set the date for the Shareholder meeting for approval of the proposed Qualifying Transaction.
- (e) If the Exchange determines that the draft Disclosure Document or any supporting document, contains significant deficiencies, the Exchange may request that the CPC re-file all materials at a later date. In these circumstances, the Exchange may not commence its initial detailed review of the draft Disclosure Document or any other supporting document including, if applicable, the preliminary Sponsor Report, until such deficiencies are substantially resolved to the satisfaction of the Exchange.
- (f) The initial submission is presented to the Exchange’s listings committee for consideration. If the application is conditionally accepted, the CPC will be invited to file the Conditional Acceptance Documents described in section 11.5 with the Exchange and:
  - (i) where Shareholder approval is not required, the CPC must file the final CPC Filing Statement or Prospectus on SEDAR at least seven business days prior to:
    - (A) the resumption of trading in the securities of the Resulting Issuer following the Completion of the Qualifying Transaction, if the securities of the CPC are halted from trading; or
    - (B) the Completion of the Qualifying Transaction, if the securities of the CPC are not halted from trading;

and concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying



Transaction as well as the fact that the CPC Filing Statement or Prospectus is available on SEDAR, and then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions;

- (ii) where Shareholder approval is required by this Policy or corporate or Securities Laws and is to be obtained at a meeting of Shareholders, the CPC will file on SEDAR and mail to its Shareholders the notice of meeting, CPC Information Circular and form of proxy, together with any other required documents. Concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the CPC Information Circular is available on SEDAR. If the proposed Qualifying Transaction is a Non-Arm's Length Qualifying Transaction or is subject to Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*, Majority of the Minority Approval will be required. Majority of the Minority Approval constitutes minority approval as contemplated under Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*. Once the requisite Shareholder approval of the proposed Qualifying Transaction and any other related matters is obtained, then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions; and
  - (iii) where Shareholder approval is required by this Policy or corporate or Securities Laws and is to be obtained by written consent, the CPC will file on SEDAR the final Disclosure Document. Concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the Disclosure Document is available on SEDAR. Once the requisite Shareholder approval of the proposed Qualifying Transaction and any other related matters is obtained, then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions.
- (g) After closing the Qualifying Transaction, the CPC is required to file with the Exchange all applicable Final Documents as described in section 11.7.
  - (h) Provided that the Final Documents are satisfactory, the Exchange issues the Final QT Exchange Bulletin that evidences final Exchange acceptance and confirms Completion of the Qualifying Transaction. The Final QT Exchange Bulletin also indicates that the Resulting Issuer will not be considered a CPC, will not trade with the designation “.P” and will commence trading on the date determined by the Exchange, after consultation with the CPC, under a new name and a new stock symbol, if applicable.

## 2.4 Availability of the CPC Program

The CPC program may not be used where the proposed CPC has an Agreement in Principle. Where a proposed CPC or its Agent(s) is uncertain about the availability of the CPC program, the Exchange encourages them to schedule a pre-filing conference to discuss the issue. See Policy 2.7 – *Pre-Filing Conferences*.

## 2.5 Guidelines for Interpretation – Agreement in Principle Exists

- (a) **No Material Conditions** – If the board of directors of a proposed CPC has a “meeting of minds” with the other parties to a proposed Qualifying Transaction on all fundamental terms, and no material conditions to closing exist which are beyond the reasonable control of the Non-Arm’s Length Parties to the CPC or Non-Arm’s Length Parties to the Qualifying Transaction (other than receipt of shareholder approval and Exchange acceptance), then an Agreement in Principle exists. In such cases, the parties should seek an alternative method of going public.
- (b) **Non-Arm’s Length Qualifying Transaction** – Regulatory concern arises where the CPC undertakes a Non-Arm’s Length Qualifying Transaction. Although a formal agreement may not have been entered into, if the Non-Arm’s Length Parties are nevertheless virtually certain of reaching an agreement, an Agreement in Principle exists and the parties should seek an alternative method of going public.

## 2.6 Guidelines for Interpretation – Agreement in Principle Does Not Exist

- (a) **Public Announcement of the Intended Transaction** – A public announcement of an intended transaction is not, in and of itself, evidence that an Agreement in Principle exists if material conditions beyond the control of the Non-Arm’s Length Parties to the CPC or the Non-Arm’s Length Parties to the Qualifying Transaction have to be completed in order to effect the transaction.
- (b) **Private Placement Financing** – If the CPC is undertaking a best efforts financing, and such financing is a material condition of closing of the proposed transaction that is unfulfilled, the Exchange will generally consider that an Agreement in Principle has not been reached.
- (c) **Consideration** – If the parties to a proposed transaction have not agreed on the total consideration to be paid for the Significant Assets or have not conclusively identified the means by which the consideration for the Significant Assets will be determined, the Exchange will generally consider that an Agreement in Principle has not been reached. If a valuation opinion has not been prepared or is not complete, the reasons why the valuation opinion has not been prepared or is not complete should be evaluated. Where there are significant uncertainties underlying source data or assumptions or valuation techniques to be applied, the Exchange will generally consider that an Agreement in Principle has not been reached.
- (d) **Financial Statements** – If financial statements relating to the Significant Assets to be acquired have not yet been prepared, primary due diligence procedures

fundamental to the decision to proceed have not been completed. Accordingly, the Exchange will generally consider that an Agreement in Principle has not been reached.

- (e) **Due Diligence** – Where significant due diligence matters remain unresolved, the Exchange will generally consider that an Agreement in Principle has not been reached.

## **2.7 Disclosure in CPC Prospectus**

Notwithstanding the guidelines set forth at sections 2.5 and 2.6, the Persons signing the certificate contained in the CPC Prospectus are reminded that they are ultimately responsible for ensuring that the CPC Prospectus provides full, true and plain disclosure of all material facts as required by Securities Laws and as contemplated by section 4.1, including, where applicable, material facts relating to any potential Qualifying Transaction.

# **3. Initial Listing Requirements for CPCs**

## **3.1 Restrictions on Business of a CPC**

The only business permitted to be undertaken by a CPC is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Until the Completion of the Qualifying Transaction, a CPC must not carry on any business other than the identification and evaluation of assets or businesses with a view to a potential Qualifying Transaction.

## **3.2 Listing Requirements**

The following initial listing requirements must be satisfied to be listed as a CPC with the Exchange and to maintain that listing:

- (a) Except to the extent specifically modified by this Policy, the CPC must comply with Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*. Each proposed director and officer must meet the minimum suitability requirements under Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance* and the board of directors of the CPC as a whole must have the public company experience required by that Policy. In addition, the majority of the proposed directors and senior officers of the CPC must be either:
  - (i) residents of Canada or the United States, or
  - (ii) individuals who have demonstrated a positive association as a director or officer with one or more public companies that are subject to a regulatory regime comparable to that of a Canadian exchange. The CPC must provide the Exchange with evidence that such regulatory regime is comparable (in terms of registration, regulatory oversight and filing requirements).
- (b) Given the nature of the CPC program, the Exchange expects management of the CPC to meet a high standard. As a result, in addition to the requirements set out in

Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*, the Exchange requires that the directors and senior officers of the CPC must collectively possess the appropriate experience, qualifications and history which demonstrates that the management of the CPC will be capable of identifying, investigating and acquiring Significant Assets. In determining the acceptability of each director and senior officer, and the board of directors as a whole, the Exchange will review the qualifications, experience, and regulatory history of each proposed member of the board of directors to determine their suitability as a CPC board member on both an individual basis, and in relation to the other members of the board.

- (c) In determining the acceptability of the board of directors in general, the Exchange will consider whether the members of the board collectively possess:
  - (i) a positive track record with junior companies, as evidenced by growth of such companies;
  - (ii) the ability to raise financing;
  - (iii) a positive corporate governance and regulatory history;
  - (iv) technical experience in the appropriate industry sector, where applicable;
  - (v) the ability to locate and develop appropriate acquisition opportunities for companies; and
  - (vi) positive experience as directors or senior officers with public companies in Canada or the United States, as evidenced by the growth of such companies and/or the listing of such companies on the Exchange or on a senior exchange or quotation system such as the TSX, NASDAQ or NYSE.
- (d) Notwithstanding any other provisions in the Manual or the Listing Agreement, one Person may act as the chief executive officer, chief financial officer and corporate secretary of the same CPC at the same time.
- (e) The minimum price per share at which the Seed Shares may be issued is the greater of \$0.05 and 50% of the price at which the IPO Shares are sold.
- (f) The Seed Capital raised by the CPC through the issuance of the Seed Shares must satisfy all of the following requirements:
  - (i) the maximum amount of Seed Capital raised by the CPC through the issuance of Seed Shares issued at less than the IPO price does not exceed \$1,000,000;
  - (ii) the minimum aggregate amount of Seed Capital raised by the CPC through the issuance of Seed Shares to directors and senior officers of the CPC, or

to trusts or holding companies controlled by these directors or senior officers, must be at least equal to the greater of:

- (A) \$100,000; and
- (B) 5% of the aggregate of all proceeds received by the CPC prior to listing on the Exchange resulting from the issuance of treasury securities, including, without limitation, proceeds from the issuance of the Seed Shares, any Private Placement securities and IPO Shares assuming the completion of the maximum IPO offering;

and Seed Share subscriptions by others will only be permitted after the minimum aggregate of the greater of the amount required under (A) and (B) above has been contributed by the directors and senior officers of the CPC; and

- (iii) each director and senior officer of the CPC, or their respective trust or holding company controlled by them, must subscribe for Seed Shares for consideration of at least \$5,000.

For the purposes of this section, control can be demonstrated by ownership of 50% or more of the outstanding voting securities or in the case of a trust, beneficial interest in the trust. Seed Capital contributions made by trusts or holding companies will be pro-rated on the basis of the percentage of ownership or beneficial interest held by the applicable directors or senior officers or immediate family members of such directors and senior officers.

- (g) The minimum price at which the IPO Shares may be issued is \$0.10. Only a single class of Common Shares may be issued as Seed Shares and IPO Shares.
- (h) Companies cannot hold Seed Shares unless the name of each individual who directly or indirectly beneficially owns, controls or directs these securities is disclosed to the Exchange. If the beneficial owner of Seed Shares is not an individual, the name of the individual or individuals beneficially owning, controlling or directing the Company or Companies that hold the Seed Shares of the CPC must be disclosed.
- (i) At the time of listing and until Completion of the Qualifying Transaction, neither the CPC nor any other party on behalf of the CPC will have engaged or will engage the services of any Person to provide Investor Relations Activities, promotional or market-making services.
- (j) The gross proceeds to the treasury of the CPC from its IPO must be equal to or greater than \$200,000 and must not exceed \$9,500,000.
- (k) The maximum aggregate gross proceeds to the treasury of the CPC from the issuance of IPO Shares and all Seed Shares and any Common Shares issued pursuant to a Private Placement must not exceed \$10,000,000.

- (l) Upon completion of the IPO, the CPC must satisfy the following public distribution requirements:
  - (i) the minimum number of Common Shares in the Public Float as set out in Policy 2.1 – *Initial Listing Requirements* for a Tier 2 Issuer;
  - (ii) a minimum number of Public Shareholders that is equal to the lesser of:
    - (A) 150 Public Shareholders; and
    - (B) the minimum number of Public Shareholders as set out in Policy 2.1 – *Initial Listing Requirements* for a Tier 2 Issuer; andwith each such Public Shareholder beneficially owning at least 1,000 Common Shares free of Resale Restrictions; and
  - (iii) Public Shareholders beneficially owning at least 20% of the issued and outstanding Common Shares of the CPC.
- (m) 75% of the IPO Shares are subject to the following limits:
  - (i) the maximum number of Common Shares which may be directly or indirectly purchased by any one purchaser pursuant to the IPO is 2% of the IPO Shares; and
  - (ii) notwithstanding section 3.2(m)(i), the maximum number of Common Shares that may be directly or indirectly purchased pursuant to the IPO by any purchaser, together with that purchaser's Associates and Affiliates, is 4% of the IPO Shares.
- (n) Other than as disclosed in the CPC Prospectus, no new Insider of the CPC may exist on the closing of the CPC's IPO (including in that calculation any shares of the CPC that are issued pursuant to a Private Placement that closes prior to or concurrently with the CPC's IPO).
- (o) Other than IPO Shares, the only additional securities of the CPC that may be issued and outstanding are Seed Shares, CPC Stock Options as permitted by Part 6, the Agent's Options, any securities issued pursuant to a Private Placement in accordance with Part 9, and any securities issued pursuant to the Qualifying Transaction.

### **3.3 Listing Documents**

A Company seeking a listing as a CPC must file:

- (a) with the Exchange and the Commissions:

- (i) all documentation required to be filed in connection with a Prospectus under applicable Securities Laws, and, in the case of the filing with the Exchange, must also include in the covering letter identification of any required waivers or exemptive relief applications from Exchange Requirements or from applicable Securities Laws; and
- (ii) a written undertaking from the CPC and each of its directors and senior officers addressed to the Exchange and the Commissions confirming that:
  - (A) they will comply in all respects with the restrictions contained in Part 7 in connection with the expenditure of funds raised prior to Completion of the Qualifying Transaction;
  - (B) in the event that the Exchange delists the Listed Shares of the CPC, then within 90 days from the date of such delisting, they will, in accordance with applicable law, wind-up and liquidate the CPC's assets and distribute its remaining assets, on a pro-rata basis, to its Shareholders unless, within that 90 day period, the Shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the CPC, approve another use of the remaining assets; and
  - (C) they will provide written confirmation to the Commissions no later than 90 days from the date of delisting, that they have complied with the undertakings at (A) and (B) above;
- (b) with the AMF (with a copy provided to the Exchange), a written undertaking from the CPC confirming that the CPC will not complete its Qualifying Transaction unless the Disclosure Document is filed with the AMF (concurrent with its filing with the Exchange) for analysis and approval by the AMF, which undertaking is only required if the CPC has its head office in Québec at the time of its IPO and filed its CPC Prospectus only in Québec, or in Québec and in other jurisdictions where the AMF is the principal regulator pursuant to Quebec Regulation 11-102 Respecting Passport System; and
- (c) with the Exchange, all applicable documentation required to be filed for a Listing Application under Policy 2.3 – *Listing Procedures*.

## **4. Disclosure Required in a CPC Prospectus**

- 4.1** A CPC Prospectus must provide full, true and plain disclosure of all material facts relating to the securities offered under the CPC Prospectus. It must be prepared in accordance with applicable Securities Laws, and pursuant to the Form 3A – *Information Required in a CPC Prospectus*. The Exchange requires all Issuers filing a CPC Prospectus to comply with applicable General Prospectus Rules and the form under the applicable General Prospectus Rules. Issuers are reminded that the Form 3A – *Information Required in a CPC Prospectus*

is not a Commission form, and is intended to provide guidance to a CPC in respect of compliance with the form under the applicable General Prospectus Rules.

## **5. Agents**

### **5.1 General**

In each jurisdiction where the IPO is conducted, the CPC must have an Agent who is registered under the Securities Laws in a category which permits the Agent to act as the selling agent of the IPO Shares. An Agent must sign the certificate page of the CPC Prospectus as underwriter. Other than as provided for in this Policy, no securities of the CPC can be issued or granted to the Agent or its Associates or Affiliates.

### **5.2 Agent Compensation in Connection with the IPO**

- (a) The maximum sales commission payable to an Agent as compensation for acting as the Agent in connection with the IPO is 10% of the gross proceeds raised pursuant to the IPO.
- (b) Any corporate finance fee or other compensation paid or to be paid to the Agent in its capacity as agent or otherwise in connection with the CPC Prospectus must be disclosed in the CPC Prospectus and any such fee or compensation payable in connection with a Qualifying Transaction must be disclosed in the Disclosure Document, and if known at the date of the CPC Prospectus, in the CPC Prospectus. Any such fees or compensation must be reasonable in the circumstances.
- (c) No option or other right to subscribe for securities of the CPC may be granted to the Agent in connection with the IPO unless:
  - (i) the option or right is a single, non-transferable option or right;
  - (ii) the number of Common Shares issuable upon exercise of the option or right does not exceed 10% of the total number of IPO Shares;
  - (iii) the exercise price per share under the option or right is not less than the IPO Share price;
  - (iv) the option or right is exercisable only until the close of business on a date that is not more than five years from the date of listing of the Common Shares of the CPC on the Exchange; and
  - (v) the option or right may be exercised in whole or in part by the Agent before the Completion of the Qualifying Transaction by the CPC, provided that no more than 50 percent of the aggregate number of Common Shares which can be acquired by the Agent on exercise of the entire option or right may be sold by the Agent before the Completion of the Qualifying Transaction.



### **5.3 Agent Compensation in Connection with a Private Placement under Part 9**

For details of compensation permitted in connection with a Private Placement under Part 9, see section 9.7.

## **6. Other Options Issued by the CPC**

- 6.1** Stock options granted by a CPC (the “**CPC Stock Options**”) may only entitle the holder to acquire Common Shares of the CPC. CPC Stock Options may only be granted to a director or senior officer of the CPC, and where permitted by Securities Laws, a technical consultant whose particular industry expertise in relation to the business of the Vendor(s) or the Target Company, as the case may be, is required to evaluate the proposed Qualifying Transaction, or a Company, all of whose securities are owned by such a director, senior officer or technical consultant, or to an Eligible Charitable Organization as defined in Policy 4.4 – *Incentive Stock Options*. The total number of Common Shares reserved under option for issuance under this section may not exceed 10% of the Common Shares of the CPC outstanding as at the date of grant of any CPC Stock Option.
- 6.2** The number of Common Shares reserved under option for issuance to any individual director or senior officer may not exceed 5% of the Common Shares of the CPC outstanding as at the date of grant of any CPC Stock Option. The number of Common Shares reserved under option for issuance to all technical consultants may not exceed 2% of the Common Shares of the CPC outstanding as at the date of grant of any CPC Stock Option. The number of Common Shares reserved under option for issuance to all Eligible Charitable Organizations may not exceed 1% of the Common Shares of the CPC outstanding as at the date of grant of any CPC Stock Option. CPC Stock Options are subject to the percentage limitations set forth in Policy 4.4 – *Incentive Stock Options*.
- 6.3** The CPC is prohibited from granting CPC Stock Options to any Person providing Investor Relations Activities, promotional or market-making services.
- 6.4** The exercise price per Common Share under any CPC Stock Option granted by the CPC prior to the closing of the IPO cannot be less than the lowest price at which Seed Shares were issued by the CPC.
- 6.5** All CPC Stock Options granted by the CPC must be granted in compliance with Policy 4.4 – *Incentive Stock Options* and in compliance with this Policy.
- 6.6** No CPC Stock Option may be granted by a CPC unless the optionee first enters into a CPC Escrow Agreement agreeing to deposit the CPC Stock Option, and the Common Shares

acquired pursuant to the exercise of such CPC Stock Option, into escrow as described in Part 10.

- 6.7** The term of a CPC Stock Option must expire not later than 12 months after the optionee ceases to be a director, senior officer or technical consultant of the CPC, or of the Resulting Issuer, as the case may be, subject to any earlier expiry date of such CPC Stock Option.

## **7. Use of Proceeds and Prohibited Payments**

### **7.1 Permitted Use of Proceeds**

- (a) Subject to sections 3.1 and 7.2, until the Completion of the Qualifying Transaction, the CPC may only incur expenses to operate its business as described in section 3.1 to identify and evaluate assets or businesses and obtain Shareholder approval, if applicable, for a proposed Qualifying Transaction, including expenses such as:
- (i) reasonable expenses relating to the CPC's IPO, including:
    - (A) fees for legal services and audit services relating to the preparation and filing of the CPC Prospectus;
    - (B) Agent's fees, costs and commissions; and
    - (C) printing costs, including printing of the CPC Prospectus and share certificates;
  - (ii) reasonable general and administrative expenses of the CPC (not exceeding in aggregate \$3,000 per month), including:
    - (A) office supplies, office rent and related utilities;
    - (B) equipment leases;
    - (C) fees for legal services; and
    - (D) fees for accounting and advisory services;
  - (iii) reasonable expenses relating to a proposed Qualifying Transaction, including:
    - (A) valuations or appraisals;
    - (B) business plans;
    - (C) feasibility studies and technical assessments;
    - (D) sponsorship reports;
    - (E) Geological Reports;

- (F) financial statements;
- (G) fees for legal services; and
- (H) fees for accounting, assurance and audit services;
- (iv) agents' and finders' fees, costs and commissions;
- (v) assurance and audit fees of the CPC;
- (vi) escrow agent and transfer agent fees of the CPC; and
- (vii) regulatory filing fees of the CPC.
- (b) Until the Completion of the Qualifying Transaction, no proceeds from the sale of securities of the CPC may be used to acquire or lease a vehicle.
- (c) Certain deposits, loans and advances may be made by the CPC provided they are made in compliance with section 7.4.
- (d) If the CPC completes a Qualifying Transaction before spending the entire proceeds on identifying and evaluating assets or businesses and in the case of a Non-Arm's Length Qualifying Transaction, obtaining Shareholder approval for a proposed Qualifying Transaction, the CPC may use the remaining funds to finance or partly finance the acquisition of, or participation in, the Significant Assets.

## **7.2 Prohibited Payments to Non-Arm's Length Parties**

Until the Completion of the Qualifying Transaction, other than expenses:

- (a) described in sections 6, 7.1(a)(ii), 7.1(a)(iii)(G) and 7.3; and
- (b) to reimburse a Non-Arm's Length Party to the CPC for the reasonable out-of-pocket expenses described in section 7.1 incurred in pursuing the business of the CPC as described in section 3.1,

no payment of any kind may be made, directly or indirectly, by the CPC to a Non-Arm's Length Party to the CPC or to a Non-Arm's Length Party to the Qualifying Transaction, or to any person engaged in Investor Relations Activities, promotional or market-making services in respect of the CPC or the securities of the CPC or any Resulting Issuer, by any means including:

- (c) remuneration, which includes, but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;

- (iv) finder's fees, except as permitted in section 7.3;
  - (v) loans;
  - (vi) advances; and
  - (vii) bonuses; and
- (d) deposits and similar payments.

No payment referred to in this section may be made by a CPC or by any other Person after the Completion of the Qualifying Transaction if the payment relates to services rendered or obligations incurred before or in connection with the Qualifying Transaction.

### **7.3 Finder's Fees**

Upon Completion of the Qualifying Transaction, the CPC and Target Company may pay finder's fees in aggregate pursuant to Policy 5.1 – *Loans, Loan Bonuses, Finder's Fees and Commissions*:

- (a) to a Person that is not a Non-Arm's Length Party to the CPC; and
- (b) to a Non-Arm's Length Party to the CPC, notwithstanding section 3.2(a) of Policy 5.1 – *Loans, Loan Bonuses, Finder's Fees and Commissions*, provided that:
  - (i) the Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction;
  - (ii) the Qualifying Transaction is not a transaction between the CPC and an existing public company in accordance with Part 14;
  - (iii) the finder's fee is payable in the form of cash, Listed Shares and/or Warrants only;
  - (iv) the amount of any Concurrent Financing is not included in the value of the measurable benefit used to calculate the finder's fee; and
  - (v) Shareholder approval of the finder's fee is obtained by ordinary resolution at a meeting of Shareholders or by the written consent of Shareholders holding more than 50% of the issued Listed Shares, provided that the votes attached to the Listed Shares of the CPC held by the recipient of the finder's fee and its Associates and Affiliates are excluded from the calculation of any such approval or written consent.

### **7.4 Deposits, Advances and Loans to the Vendor(s) or Target Company**

- (a) A maximum of \$25,000 in aggregate may be advanced as a non-refundable deposit or unsecured loan to a Target Company or the Vendor(s), as the case may be, without prior Exchange acceptance.

- (b) Any proposed deposit, advance or loan of funds (including from any of the proceeds of a Private Placement conducted after the announcement made pursuant to section 11.2 but before the Completion of the Qualifying Transaction) from the CPC to the Target Company or any Vendor(s) in excess of the \$25,000 maximum aggregate referred to in section 7.4(a) may only be made:
- (i) as a secured loan by a CPC to the Target Company or the Vendor(s), as the case may be; and
  - (ii) if all of the following conditions are satisfied:
    - (A) Exchange acceptance is obtained prior to any such funds being loaned to the Target Company or Vendor(s);
    - (B) the Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction;
    - (C) the Qualifying Transaction has been announced in a comprehensive news release pursuant to section 11.2;
    - (D) the due diligence with respect to the Qualifying Transaction is well underway;
    - (E) if applicable, a Sponsor has been engaged (as evidenced by the filing of a Form 2G – *Sponsorship Acknowledgement Form* as defined in Policy 2.2 – *Sponsorship and Sponsorship Requirements*) or sponsorship has been waived in relation to the Qualifying Transaction;
    - (F) the loan has been announced in a news release at least 15 days prior to the date of any such loan; and
    - (G) the total amount of all deposits, advances and loans from the CPC under this section 7.4 does not exceed a maximum of \$250,000 in aggregate unless the aggregate amount advanced from the Issuer to the Target Company or the Vendor(s) does not represent more than 20% of the working capital of the CPC.
- (c) If less than the entire permitted portion of a deposit or loan is advanced, a subsequent deposit or loan up to the balance of the maximum aggregate deposit or loan permitted by this Policy may be made. Similarly, if a deposit or loan or a part of it is refunded, the refunded amount can be used for a subsequent advance. Each such subsequent advance is subject to the requirements of section 7.4, including Exchange acceptance.

## **7.5 Investment of CPC Funds**

Until required for the CPC's purposes, the proceeds may only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or territory of Canada or the Government of the United States, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or credit unions.

## **8. Restrictions on Trading**

**8.1** Other than the IPO Shares, the Agent's Option and CPC Stock Options, or as otherwise permitted by Part 9, no securities of a CPC may be issued or traded during the period between the date of the receipt for the preliminary CPC Prospectus and the time the Common Shares begin trading on the Exchange, except with the prior approval of the Exchange and, if applicable, pursuant to exemptions from the registration and prospectus requirements under applicable Securities Laws.

## **9. Private Placements for Cash**

### **9.1 Prior Exchange Acceptance**

After the closing of the IPO and until the Completion of the Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities. See Policy 4.1 – *Private Placements*.

### **9.2 Maximum Aggregate Proceeds**

The Exchange will not accept a Private Placement by a CPC where the aggregate gross proceeds raised from the issuance of all Seed Shares, IPO Shares, other Private Placements, and any proceeds anticipated to be raised upon closing of the Private Placement exceeds \$10,000,000.

### **9.3 Permissible Securities**

The only securities issuable pursuant to a Private Placement prior to the Completion of the Qualifying Transaction are Common Shares of the CPC and securities issued in relation to the Private Placement in accordance with section 5.3 and Policy 5.1 – *Loans, Loan Bonuses, Finder's Fees and Commissions*. Units and/or share purchase warrants may not be issued to subscribers pursuant to a Private Placement undertaken prior to Completion of the Qualifying Transaction. Notwithstanding the foregoing, as part of a Concurrent Financing, the Exchange may permit the issuance of subscription receipts and/or special warrants that convert into Listed Shares, or Listed Shares and Warrants, only upon Completion of the Qualifying Transaction in certain limited circumstances as described in section 9.5.

## 9.4 Bridge Financing

A Private Placement that a CPC proposes to complete after it has entered into a Qualifying Transaction Agreement and prior to Completion of the Qualifying Transaction to raise funds needed to pay for the costs associated with proceeding to completion of the proposed Qualifying Transaction (e.g. audit fees, legal fees, costs of preparing the necessary documentation for the Qualifying Transaction, due diligence costs, etc., but excluding closing payments to the Vendor(s)), is a bridge financing (a “**Bridge Financing**”).

## 9.5 Concurrent Financing

A Private Placement that an Issuer proposes to complete after it has entered into a Qualifying Transaction Agreement and concurrently with the closing of the Qualifying Transaction to raise funds needed to close the Qualifying Transaction (e.g. closing payments to the Vendor(s)) and to satisfy applicable Initial Listing Requirements related to Working Capital and Financial Resources is a concurrent financing (a “**Concurrent Financing**”), the requirements for which are set out in Policy 4.1 – *Private Placements* (other than the part and parcel pricing exception set out in section 1.7 of Policy 4.1 – *Private Placements*, which does not apply to Qualifying Transactions).

The Exchange will not permit a CPC to complete a Concurrent Financing prior to the closing of its Qualifying Transaction unless:

- (a) the comprehensive news release referred to in section 11.2 has been disseminated prior to the closing of the Concurrent Financing;
- (b) the Concurrent Financing is done on a special warrant, subscription receipt or similar basis with all of the funds being held in escrow pending closing of the Qualifying Transaction; and
- (c) no finder’s fee or commission is payable or paid by the CPC until the closing of the Qualifying Transaction.

The Exchange will not consider a financing into a Target Company to be a Concurrent Financing unless the comprehensive news release referred to in section 11.2 has been disseminated prior to the closing of the Concurrent Financing; and further, the Exchange may refuse to consider a financing into a Target Company to be a Concurrent Financing if a significant amount of time has elapsed between the date of such financing and the Completion of the Qualifying Transaction or if a significant amount of the funds raised in such financing have been expended prior to Completion of the Qualifying Transaction.

## 9.6 Bridge Financing Terms

A CPC proposing a Bridge Financing must satisfy all of the following requirements:

- (a) the CPC does not have sufficient financial resources to pay for the costs associated with proceeding to completion of the proposed Qualifying Transaction (e.g. audit fees, legal fees, costs of preparing the necessary documentation for the Qualifying Transaction, due diligence costs, etc.);
- (b) the Bridge Financing will be completed independent of the completion of the Qualifying Transaction with the funds being made available for the CPC's use immediately upon closing of the Bridge Financing;
- (c) except as permitted under section 7.4(b), the proceeds of the Bridge Financing must be specifically for the purpose of funding the costs associated with proceeding to completion of the proposed Qualifying Transaction (e.g. audit fees, legal fees, costs of preparing the necessary documentation for the Qualifying Transaction, due diligence costs, etc.), excluding any payments due to the Vendor(s) on closing, and the CPC must provide the Exchange with details of the proposed use of proceeds;
- (d) subject to section 9.6(f), the Bridge Financing is on essentially the same terms as the Concurrent Financing (with regards to type of security and offering price); however, to account for the risk being assumed by the investors (where the funds are truly "at risk" (i.e. the funds are immediately available for the CPC's use and there is no certainty that the Qualifying Transaction will be completed at the time of completion of the Bridge Financing)), the Bridge Financing may have a lower offering price than the Concurrent Financing;
- (e) subject to section 9.6(f), if the Bridge Financing is to be priced at a discount to the Concurrent Financing price, the maximum discount to the Concurrent Financing price should be no greater than what is permitted under the definition of Discounted Market Price (i.e. 25% if the Concurrent Financing price is up to \$0.50; 20% if the Concurrent Financing price is more than \$0.50 and up to \$2.00; and 15% if the Concurrent Financing price is above \$2.00); provided that in any event, the offering price of the Bridge Financing must not be less than the applicable Discounted Market Price at the time of announcement of the Qualifying Transaction;
- (f) if the terms of the Concurrent Financing have not been set at the time of the Bridge Financing (thereby making it impossible to compare the terms of the Bridge Financing and the Concurrent Financing), the terms of the Bridge Financing can be independent of the terms of the Concurrent Financing;
- (g) there is no general requirement that the Bridge Financing be an Arm's Length Transaction, however, at least 75% of the Bridge Financing must be subscribed for by Persons who are not Non-Arm's Length Parties to the Qualifying Transaction if either:
  - (i) the Bridge Financing is done on better terms to the investors than the Concurrent Financing; or
  - (ii) the terms of the Concurrent Financing have not been set at the time of the Bridge Financing;



- (h) for the purposes of Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*, the Bridge Financing shall be treated as independent of the Concurrent Financing; and
- (i) the applicable Exchange filing fee in respect of the Bridge Financing must be calculated and paid separately from the Qualifying Transaction and any Concurrent Financing.

## **9.7 Compensation in Connection with a Private Placement**

Subject to section 9.5 and pursuant to Policy 5.1 – *Loans, Loan Bonuses, Finder’s Fees and Commissions*:

- (a) the maximum sales commission payable to a Person as compensation in connection with a Private Placement under Part 9 that closes prior to the Completion of the Qualifying Transaction is 10% of the gross proceeds raised pursuant to such Private Placement; and
- (b) no option or other right to subscribe for securities of the CPC may be granted to a Person as compensation in connection with a Private Placement under Part 9 that closes prior to the Completion of the Qualifying Transaction unless:
  - (i) the option or right is a single, non-transferable option or right;
  - (ii) the number of Common Shares issuable upon exercise of the option or right does not exceed 10% of the total number of Common Shares of the CPC issued under such Private Placement;
  - (iii) the exercise price per share under the option or right is not less than the price the Common Shares of the CPC are issued at under such Private Placement;
  - (iv) the option or right is exercisable only until the close of business on a date that is not more than five years from the date of the grant of such option or right; and
  - (v) the option or right may be exercised in whole or in part by the Person before the Completion of the Qualifying Transaction by the CPC, provided that no more than 50 percent of the aggregate number of Common Shares which can be acquired by the Person on exercise of the entire option or right may be sold by the Person before the Completion of the Qualifying Transaction.

## 10. Escrow

### 10.1 Escrow Securities

The following securities must be held in escrow in accordance with the CPC Escrow Agreement:

- (a) all Seed Shares issued at a price lower than the issue price of the IPO Shares; and
- (b) all Seed Shares, IPO Shares and any securities acquired from treasury after the IPO but before the date of the Final QT Exchange Bulletin which are, directly or indirectly, beneficially owned or controlled by Non-Arm's Length Parties to the CPC (as determined post IPO) other than Common Shares acquired which are subject to section 10.6;

(collectively, the "**Escrow Shares**"),

and all CPC Stock Options, and all Common Shares of the CPC issued pursuant to the exercise of CPC Stock Options (the "**Option Shares**", and together with the CPC Stock Options and Escrow Shares, the "**Escrow Securities**").

### 10.2 Release from Escrow

Subject to sections 10.3 and 14.4(b), Escrow Securities will be released from escrow as prescribed by the CPC Escrow Agreement, which includes the following release provisions:

- (a) all CPC Stock Options granted prior to the date of the Final QT Exchange Bulletin and all Option Shares that were issued prior to the date of the Final QT Exchange Bulletin will be released from escrow on the date of the Final QT Exchange Bulletin, other than CPC Stock Options that were granted prior to the CPC's IPO with an exercise price that is less than the issue price of the IPO Shares and any Option Shares that were issued pursuant to the exercise of such CPC Stock Options which will be released from escrow in accordance with the schedule set out in section 10.2(b);
- (b) except for the CPC Stock Options and Option Shares that are released from escrow on the date of the Final QT Exchange Bulletin as provided for in section 10.2(a), all Escrow Securities will be released from escrow in accordance with the following schedule:

<b>Release Dates</b>	<b>Percentage to be Released</b>
Date of Final QT Exchange Bulletin	25%
Date 6 months following Final QT Exchange Bulletin	25%
Date 12 months following Final QT Exchange Bulletin	25%
Date 18 months following Final QT Exchange Bulletin	25%
<b>TOTAL</b>	<b>100%</b>

### **10.3 Cancellation of Escrow Securities**

- (a) If Non-Arm's Length Parties to the CPC purchased Seed Shares at a discount to the IPO price, the terms of the CPC Escrow Agreement must irrevocably authorize and direct the escrow agent appointed under the CPC Escrow Agreement to immediately cancel all such shares, and all CPC Stock Options and Option Shares held by such Persons, upon the issuance of an Exchange Bulletin delisting the CPC from the Exchange.
- (b) The CPC Escrow Agreement must provide an irrevocable authorization and direction to the escrow agent to cancel all Escrow Securities on a date that is 10 years from the date the Exchange issues an Exchange Bulletin delisting the CPC from the Exchange.

### **10.4 Holding Companies**

If securities of the CPC required to be held in escrow are held by a non-individual (a "**holding company**"), the holding company may not carry out any transactions that would result in a change of control of the holding company without the consent of the Exchange. Any holding company must sign the undertaking to the Exchange, included in the CPC Escrow Agreement, that, to the extent reasonably possible, it will not permit or authorize securities to be issued or transferred if it could reasonably result in a change of control of the holding company. In addition, the Exchange requires an undertaking from any control persons of the holding company not to transfer shares of the holding company.

### **10.5 Transfers**

Except as specifically provided for in the CPC Escrow Agreement, transfers of Escrow Securities require the prior written consent of the Exchange. The Exchange will generally only permit a transfer of Escrow Shares to existing Principals and/or to incoming Principals in connection with a proposed Qualifying Transaction. Issuers are reminded that any such transfer of securities must be made pursuant to exemptions from the registration and prospectus requirements under applicable Securities Laws.

### **10.6 Escrow of Securities Issued in Connection with the Qualifying Transaction**

- (a) All securities other than Escrow Securities which will be held by Principals of the proposed Resulting Issuer at the date of the Final QT Exchange Bulletin are

required to be escrowed pursuant to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

- (b) Any securities issued to any other Person in conjunction with, or contemporaneous to, the Qualifying Transaction may be subject to escrow requirements or Resale Restrictions pursuant to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

## **11. Qualifying Transaction**

### **11.1 Initial Listing Requirements**

- (a) Prior to the Exchange issuing the Final QT Exchange Bulletin, the Resulting Issuer must satisfy the Exchange’s Initial Listing Requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.1 – *Initial Listing Requirements*.
- (b) References in Policy 2.1 – *Initial Listing Requirements* to Approved Expenditures of the Issuer mean, for the purposes of this Policy, prior expenditures of the Target Company or Vendor(s) of the Significant Assets.
- (c) References in Policy 2.1 – *Initial Listing Requirements* to Working Capital, Financial Resources or Net Tangible Assets mean, for the purposes of this Policy, the consolidated Working Capital, Financial Resources and Net Tangible Assets of the Resulting Issuer.
- (d) The directors and senior officers of the Resulting Issuer must satisfy the requirements of Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance* and the exceptions set out in section 3.2(d) of this Policy do not apply to the Resulting Issuer.
- (e) The Resulting Issuer cannot be a mutual fund, as defined under applicable Securities Laws, and Issuers in doubt as to whether the Resulting Issuer may be a mutual fund should consult with the Exchange.
- (f) Except where the Resulting Issuer is an Oil & Gas Issuer or a Mining Issuer (including a Resulting Issuer whose primary business is to hold mineral projects as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*), when the Qualifying Transaction of a CPC that is a reporting issuer in Ontario involves the acquisition of a Significant Asset not located in Canada or the United States, the Qualifying Transaction must be undertaken using a Prospectus as the Disclosure Document.
- (g) Issuers are reminded that in respect of a Qualifying Transaction, this Policy must be read in conjunction with Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*.

- (h) Where the proposed Qualifying Transaction is a Non-Arm's Length Qualifying Transaction, the CPC must obtain Majority of the Minority Approval of the Qualifying Transaction. Where the proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction, the Exchange will not require the CPC to obtain Shareholder approval of the Qualifying Transaction provided that it files the CPC Filing Statement or a Prospectus. Where the proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction but Shareholder approval is otherwise required by law (including where there will be a change of auditor, election of new directors, or in an amalgamation situation), the CPC may restrict the Shareholder approval to those transactions for which Shareholder approval is required by law.
- (i) Issuers are referred to Québec Policy Statement 41-601Q respecting Capital Pool Companies which applies to Qualifying Transactions for CPCs with certain connections to Québec, in which circumstances the AMF will also review the Qualifying Transaction and the Disclosure Document must not be filed on SEDAR until after the AMF has notified the Exchange that the Disclosure Document is acceptable to the AMF.

## **11.2 Announcement of Qualifying Transaction Agreement Regarding a Proposed Qualifying Transaction**

As soon as the CPC reaches a Qualifying Transaction Agreement, it must notify the Exchange and the Regulation Services Provider and the Listed Shares of the CPC will immediately be subject to a trading halt, and the CPC must immediately submit a comprehensive news release to the Exchange and the Regulation Services Provider for review. This news release must include:

- (a) the date of the Qualifying Transaction Agreement;
- (b) a description of the proposed Significant Assets, including:
  - (i) the industry sector in which the Resulting Issuer will be involved upon the Completion of the Qualifying Transaction;
  - (ii) the history of the Significant Assets and/or the history and nature of the business previously conducted by the Target Company; and
  - (iii) a summary of any available significant financial information respecting the Significant Assets (including, at a minimum, assets, liabilities, revenues and net profits/losses), with an indication as to whether such information is audited or unaudited and the date to which it was prepared;
- (c) a description of the terms of the proposed Qualifying Transaction, 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 proposed Significant Assets, and, in the case of the acquisition of a Target Company, the jurisdiction of incorporation or creation of the Target Company;
- (e) identification of:
  - (i) any direct or indirect beneficial interest of any of the Non-Arm's Length Parties to the CPC:
    - (A) in the Vendor(s),
    - (B) in the Significant Assets, and/or
    - (C) in the Target Company,and the names of such Non-Arm's Length Parties;
  - (ii) any Non-Arm's Length Parties to the CPC that are Insiders of any Target Company;
  - (iii) any relationship between or among the Non-Arm's Length Parties to the CPC and the Non-Arm's Length Parties to the Qualifying Transaction;
  - (iv) whether or not the proposed Qualifying Transaction constitutes a Non-Arm's Length Qualifying Transaction; and
  - (v) whether or not the Qualifying Transaction will be subject to Shareholder approval;
- (f) the names and backgrounds of all Persons who will constitute Principals or Insiders of the Resulting Issuer and, if any of such Persons is a Company, the full name and jurisdiction of incorporation or creation of each such 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;
- (g) details of any finder's fee or commission paid or payable in relation to the Qualifying Transaction;
- (h) a description of any financing arrangement for or in conjunction with the Qualifying Transaction, including the amount, security, terms, use of proceeds and details of any finder's fee or commission;
- (i) a description of any deposit, advance or loan made or to be made, subject to Exchange acceptance, including the names of the parties involved, the terms of the deposit, advance, loan or any proposed Private Placement from which proceeds are to be raised to provide the funds for such deposit, advance or loan and the proposed use of any deposit, advance or loan;

- (j) details of any significant conditions required to be satisfied in connection with the Completion of the Qualifying Transaction;
- (k) if a Sponsor has been retained in connection with the proposed Qualifying Transaction, identification of the Sponsor and the terms of the sponsorship;
- (l) the following statement:

*“Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, 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 or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.*

*The TSX Venture Exchange Inc. 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 additional statement:

*“[Insert name of Sponsor], subject to completion of satisfactory due diligence, has agreed to act as sponsor 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.”*

- (n) if applicable, any additional disclosure required pursuant to Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*; and
- (o) all other requirements of Policy 3.3 – *Timely Disclosure*.

The Exchange will co-ordinate with the CPC the timing of this comprehensive news release in an effort to ensure proper dissemination. Provided that the securities of the CPC are subject to the trading halt referred to in section 2.3(b), the Exchange will not object to the CPC disseminating a brief news release in relation to the Qualifying Transaction prior to the dissemination of the comprehensive news release, although the CPC should consult with its own legal counsel to ensure that corporate and Securities Laws are also complied with. Subject to section 2.3(c), trading in the Common Shares of the CPC will remain halted until the steps referenced in section 2.3(b) have been completed.

CPCs are reminded that they will be required to update the news release in respect of any change in Material Information as contemplated by Policy 3.3 – *Timely Disclosure*.

### 11.3 Initial Submission

The following documents (the “**Initial Documents**”) must be filed with the Exchange for review within 75 days after the news release announcing the Qualifying Transaction Agreement, failing which the trading in the Common Shares of the CPC will be halted until the Initial Documents

have been filed or a news release announcing the termination of the Qualifying Transaction Agreement has been disseminated:

- (a) a submission letter from the CPC (or, with the consent of the CPC, from the Target Company) giving notice of the proposed Qualifying Transaction and providing the following information:
  - (i) the applicable industry and category for which the Resulting Issuer is applying for listing;
  - (ii) a summary of the transaction and identification of all material terms and any unusual terms;
  - (iii) if applicable, a request for the reservation of a new stock symbol root for the Resulting Issuer, including three possible choices listed in order of preference;
  - (iv) a list of the documents included in the submission;
  - (v) the particular Prospectus exemptions, if any, being relied upon if securities are to be issued as part of the transaction;
  - (vi) a list of all Non-Arm's Length Parties to the Qualifying Transaction and their holdings of securities in the CPC, any Target Company and/or any Vendor;
  - (vii) indication of whether the proposed Qualifying Transaction is subject to Policy 5.9 – *Protection of Minority Security Holders in Special Transactions* and if so, a summary of the analysis of its application to the Qualifying Transaction, and
  - (viii) where applicable, identification of any required waivers or exemptive relief applications made or to be made from Exchange Requirements and applicable Securities Laws;
- (b) if applicable, the preliminary Sponsor Report accompanied by a confirmation that the Sponsor has reviewed the draft Disclosure Document on a preliminary due diligence basis. (See Policy 2.2 – *Sponsorship and Sponsorship Requirements*);
- (c) a Personal Information Form or, if applicable, a Declaration from each Person who will be a director, senior officer, Promoter (including a Promoter as described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*) or other Insider of the Resulting Issuer, and if any of these Persons is not an individual, a Personal Information Form or, if applicable, Declaration from each director, senior officer and Control Person of that Person;
- (d) a draft of the Disclosure Document, including the financial statements required, pursuant to Part 12;



- (e) Form 2J – *Securityholder Information*;
- (f) a list of each material contract that the CPC or any Target Company has entered into which has not been previously filed with the Exchange;
- (g) a copy of any material contract that the CPC or any Target Company has entered into which has not been previously filed with the Exchange relating to:
  - (i) the issuance of securities;
  - (ii) a loan or advance of funds to or from the Target Company or any Vendor;
  - (iii) any transaction that is not an Arm’s Length Transaction; or
  - (iv) the assets upon which the listing of the Resulting Issuer will be based;
- (h) a copy of each Geological Report for each of the Resulting Issuer’s Qualifying Properties (which must include recommendations for exploration and/or development work), Principal Properties and other material properties, valuation, appraisal or other technical report required to be filed with the Exchange, and a letter of qualifications and independence from the author of each report;
- (i) in the case of any non-resource Resulting Issuer, a comprehensive business plan (or other similar document in a form acceptable to the Exchange) with forecasts and assumptions for the next 24 months, and if any Resulting Issuer is in a technology or life sciences industry segment and has a research and development program, a description of the research and development conducted to date and recommended research and development work program;
- (j) if available, a draft legal opinion or other appropriate confirmation of title in a form acceptable to the Exchange (the “**Title Opinion**”) if the Resulting Issuer’s Significant Assets or Target Company are located outside Canada and the United States;
- (k) if available, a draft legal opinion (the “**Corporate Opinion**”) in respect of each Target Company and each of its material subsidiaries if incorporated in a jurisdiction outside Canada and the United States, including for each:
  - (i) it is validly incorporated;
  - (ii) it is in good standing; and
  - (iii) for any intercorporate relationships between a Target Company and its material subsidiaries, the shareholders and the percentage of securities held by each;
- (l) if available, a draft legal opinion or officer’s certificate (the “**Reporting Issuer Opinion**”) that, on Completion of the Qualifying Transaction, the Resulting Issuer:

- (i) is not included in the list of reporting issuers in default in any jurisdiction in which it is a reporting issuer; and
- (ii) is not subject to a cease trade order and not otherwise suspended from trading;
- (m) evidence of value as contemplated by Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* or, if applicable, by Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*;
- (n) if Shareholder approval is required and is intended to be obtained by written consent, a draft of the form of written consent to be signed by Shareholders; and
- (o) the applicable minimum fee as prescribed by Policy 1.3 – *Schedule of Fees*.

Where a draft of the Title Opinion, Corporate Opinion or Reporting Issuer Opinion is not available at the time the other Initial Documents are filed with the Exchange, such should be filed with the Exchange before Conditional Acceptance is issued.

The Exchange will review the Initial Documents and, provided that the comments in the initial Exchange comment letter are not of a substantial nature, where Shareholder approval is required and is to be obtained at a meeting of Shareholders, the CPC will be permitted to set a meeting date to approve the proposed Qualifying Transaction. Where a Qualifying Transaction has not been sponsored, the Exchange will require additional time to review the Initial Documents and confirm that appropriate due diligence measures have been undertaken by the CPC and its advisors.

#### **11.4 Conditional Acceptance of the Exchange**

Following the resolution of all material deficiencies to the satisfaction of Exchange staff, the application is submitted to the listings committee for consideration. If the Qualifying Transaction is acceptable, the Exchange will issue a conditional acceptance letter (the “**Conditional Acceptance**”) advising that the application has been accepted subject to certain conditions including Shareholder approval, if applicable, and the submission and satisfactory review of all Conditional Acceptance Documents as set out in section 11.5 and all Final Documents as set out in section 11.7.

#### **11.5 Pre-Meeting/Pre-Closing Documentation**

Following the Exchange’s Conditional Acceptance of the Qualifying Transaction, the CPC must file with the Exchange the conditional acceptance documents (the “**Conditional Acceptance Documents**”) which include:

- (a) the final Disclosure Document, including the financial statements as required by Part 12;
- (b) a version of the final Disclosure Document, black-lined to show changes from the draft Disclosure Document, referred to in section 11.3(d);

- (c) where applicable, the notice of meeting and the form of proxy to be provided to Shareholders;
- (d) a copy of any material contract that the CPC or any Target Company has entered into, or other document previously filed with the Exchange in draft form; and
- (e) a consent letter from any auditor, engineer, appraiser or other expert (an “**Expert**”) named in the Disclosure Document as having prepared or rendered a report, opinion or valuation (a “**Report**”) on any part of the Disclosure Document or named as having prepared a Report filed in connection with the Disclosure Document, which letter must:
  - (i) consent to the submission of the Report to the Exchange, and the inclusion or reference in the Disclosure Document of the Expert’s Report;
  - (ii) state that the Expert has read the Disclosure Document and has no reason to believe that there is any misrepresentation contained in it which is derived from the Expert’s Report or of which the Expert is otherwise aware; and
  - (iii) in the case of the consent of a qualified person as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, the letter shall, in the case of a technical report, also include the consent and certificate required by that instrument.

## 11.6 Process for Closing

Once the Conditional Acceptance Documents have been accepted for filing, the Exchange will advise the CPC that it is cleared to file the final Disclosure Document on SEDAR and:

- (a) where Shareholder approval is not required, the CPC must file the final CPC Filing Statement or Prospectus on SEDAR at least seven business days prior to:
  - (A) the resumption of trading in the securities of the Resulting Issuer following the Completion of the Qualifying Transaction, if the securities of the CPC are halted from trading; or
  - (B) the Completion of the Qualifying Transaction, if the securities of the CPC are not halted from trading;

and concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the CPC Filing Statement or Prospectus is available on SEDAR, and then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions;

- (b) where Shareholder approval is required and is to be obtained at a meeting of Shareholders, the CPC will file on SEDAR and mail to its Shareholders the notice of meeting, CPC Information Circular and form of proxy, together with any other required documents. Concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the CPC Information Circular is available on SEDAR. Once the requisite Shareholder approval of the proposed Qualifying Transaction and any other related matters is obtained, then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions; and
- (c) where Shareholder approval is required and is to be obtained by written consent, the CPC will file on SEDAR the final Disclosure Document. Concurrent with such filing on SEDAR, the CPC must issue a news release which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the Disclosure Document is available on SEDAR. Once the requisite Shareholder approval of the proposed Qualifying Transaction and any other related matters is obtained, then provided that all of the conditions set out in the Conditional Acceptance have been satisfied, the CPC may close the Qualifying Transaction and may close any concurrent transactions.

#### **11.7 Post-Meeting/Post-Closing Documentation**

Within 90 days after Conditional Acceptance of the Qualifying Transaction and before the Exchange will issue the Final QT Exchange Bulletin, the CPC must file with the Exchange the final documents (the “**Final Documents**”) which include:

- (a) where Shareholder approval is required:
  - (i) if Shareholder approval is obtained at a Shareholder meeting, a copy of the scrutineer’s report which details the results of the vote on the resolution to approve the Qualifying Transaction confirming:
    - (A) the applicable Shareholder approval was received for the Qualifying Transaction (for Non-Arm’s Length Qualifying Transactions and Qualifying Transactions subject to Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*, Majority of the Minority Approval must be obtained), and where applicable, confirming that the votes required to be excluded were not included when tabulating the results of the Shareholder vote; and
    - (B) if applicable, that Shareholder approval was obtained on any other matters in respect of which it was required; or
  - (ii) if Shareholder approval is obtained by written consent, the CPC must provide copies of the signed consent letters to the Exchange;
- (b) if applicable, the final executed Sponsor Report;

- (c) if applicable, the final Title Opinion, if not previously filed;
- (d) if applicable, the final Corporate Opinion, if not previously filed;
- (e) the final Reporting Issuer Opinion, if not previously filed;
- (f) a legal opinion or officers' certificate confirming that, other than final Exchange acceptance, all closing conditions have been satisfied;
- (g) a fully executed version of any escrow agreement(s) required under Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*;
- (h) if applicable, satisfactory evidence that the hold periods have been imposed on securities in accordance with Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*;
- (i) if applicable, CDS confirmation of a new CUSIP number and eligibility for the Resulting Issuer's Listed Shares;
- (j) any other documents required to be filed; and
- (k) the balance of the applicable listing fee as prescribed by Policy 1.3 – *Schedule of Fees*.

## **11.8 Assessment of a Significant Connection to Ontario**

Where a Resulting Issuer, upon Completion of a Qualifying Transaction, is aware that it has a Significant Connection to Ontario, it must immediately notify the Exchange and make application to the Ontario Securities Commission to be deemed a reporting issuer pursuant to section 18.2 of Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

## **12. Information Circular and Filing Statement**

### **12.1 Disclosure Document**

Where applicable, the CPC Information Circular submitted to the Exchange and mailed to shareholders in connection with a proposed Qualifying Transaction must be prepared in accordance with Form 3B1 – *Information Required in an Information Circular for a Qualifying Transaction* and the provisions of this Policy and prepared and mailed in accordance with applicable corporate law and Securities Law requirements. If applicable, CPCs are reminded of the additional disclosure requirements under Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*.

Where applicable, the CPC Filing Statement submitted to the Exchange in connection with a proposed Qualifying Transaction must be prepared in accordance with Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction* and the provisions of this Policy.

## **12.2 Financial Statements Required**

Except as specifically modified below, the financial statements that are to be included in the CPC Information Circular or CPC Filing Statement must comply with the requirements of Form 3B1 – *Information Required in an Information Circular for a Qualifying Transaction*, or Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction*, as applicable.

## **12.3 Waivers Involving Securities Laws**

Notwithstanding section 12.2, the Exchange cannot provide a waiver involving Securities Laws, including financial statements in respect of any CPC Filing Statement or any information circular filed in connection with a reverse takeover, as that term is defined in National Instrument 51-102 – *Continuous Disclosure Requirements*. Therefore, Issuers must obtain any waivers involving Securities Laws from applicable Securities Commissions.

## **12.4 Exchange Waivers regarding Financial Statements**

Where the Exchange waives a requirement for audited financial statements because such audited financial statements are not otherwise required under applicable Securities Laws, it is the responsibility of the Issuer to ensure that the financial records of the Target Company are adequate and that sufficient audit procedures are performed to:

- (a) enable an auditor to provide an unqualified opinion in connection with the Resulting Issuer's future financial statements; and
- (b) enable the Resulting Issuer to prepare audited financial statements in connection with any future Prospectus offering filings.

## **12.5 Amendments to CPC Information Circular or CPC Filing Statement**

In the event that there is a change in the material information included:

- (a) in the CPC Information Circular between:
  - (i) the date of mailing of the notice of meeting, the CPC Information Circular and form of proxy to shareholders, as contemplated by section 11.6, and
  - (ii) the date of the meeting of Shareholders of the CPC, or
- (b) in the CPC Filing Statement between:
  - (i) the date that the CPC Filing Statement is filed on SEDAR, and
  - (ii) the date of the Completion of the Qualifying Transaction,

the CPC shall promptly:

- (c) seek advice of legal counsel in respect of the treatment of such change; and

- (d) provide written notice to the Exchange describing the change in the material information so as to enable the Exchange to determine the applicable treatment of that change.

## **12.6 Exchange Treatment of Amendments to the CPC Information Circular or CPC Filing Statement**

After receiving the notice pursuant to section 12.5(d) and any other materials that it may require, the Exchange will advise the CPC as to the conditions that will be required to be satisfied in respect of the treatment of any change in material information included in the Disclosure Document.

## **13. Other Requirements**

### **13.1 Exchange Review of Qualifying Transactions**

As part of the review of the proposed Qualifying Transaction, the Exchange will review the expenses, disclosure, trading history and other transactions undertaken by the CPC during its listing to determine compliance with Exchange Requirements. The Exchange may refuse to accept the Qualifying Transaction if significant concerns arise from its review, which need not be limited to concerns with the items specifically listed in this Policy.

### **13.2 Share Price**

- (a) Generally, where payment of consideration by the CPC for Significant Assets includes the issuance of securities, the Exchange requires that the price per Listed Share to be issued is at least the Discounted Market Price. The total consideration is determined based on the number of securities issued multiplied by the price per share. However, where the proposed Qualifying Transaction is announced following the closing of the IPO but before listing of the Common Shares for trading on the Exchange, the value of the Common Shares to be issued will be based on the average closing price of the Common Shares in each of the first five trading days, less permissible discounts, provided such price is not less than the IPO Share price.
- (b) The Exchange will require the exercise price of any stock options granted in connection with a Qualifying Transaction to be the greater of the price per Listed Share of the securities issued on the Qualifying Transaction, the price of any Concurrent Financing and the Discounted Market Price at the time of announcement of the grant of options.

### **13.3 Inactivity or Failure to Respond to Exchange**

- (a) If
  - (i) the CPC Information Circular has not been mailed to shareholders, or
  - (ii) the CPC Filing Statement or Prospectus has not been filed on SEDAR,

within 75 days after the submission to the Exchange of Initial Documents required under section 11.3 and, in the opinion of the Exchange, the delay is due to the inaction of the CPC, the Vendor(s) or any Target Company, the Exchange may

- (iii) close its file as “not proceeded with” and require the CPC to issue a news release with respect to the status of the proposed Qualifying Transaction; or
  - (iv) require that an updated Disclosure Document containing updated material facts and updated financial statements, Geological Reports, valuations or other reports be filed.
- (b) If the Final Documents required under section 11.7 have not been submitted to the Exchange within 90 days after Conditional Acceptance of the Qualifying Transaction, the Exchange may
- (i) require the CPC or the Resulting Issuer to issue a news release explaining the delay; and/or
  - (ii) halt or suspend trading in the Listed Shares of the CPC for failure to complete a Qualifying Transaction, pending filing of the Final Documents; and/or
  - (iii) require that an updated Disclosure Document containing updated material facts and updated financial statements, Geological Reports, valuations or other reports be filed.
- (c) Inactivity may be evidenced by the failure to make reasonable and timely efforts to provide acceptable responses to the comments of the Exchange.

#### **13.4 Multiple Filings**

The Exchange will generally not grant Conditional Acceptance for listing of a CPC where any director or senior officer of the CPC is associated with more than one other CPC that has not yet completed a Qualifying Transaction.

#### **13.5 Consulting Fees**

The Exchange may seek the opinion of an independent engineer, appraiser or other expert in determining the reasonableness of a technical report, Geological Report, business valuation or other Expert Report filed with the Exchange. In such circumstances, the Exchange will require the CPC or any Resulting Issuer to pay for the Exchange’s costs.

#### **13.6 Trading Halts, Suspension and Delisting**

- (a) The Exchange will halt trading in the Listed Shares of a CPC from the date of announcement of a Qualifying Transaction Agreement regarding a Qualifying Transaction until all steps referenced in section 2.3(b) have been completed.



- (b) A trading halt may be imposed where the Issuer has not filed the Initial Documents required by section 11.3 within 75 days after the date of the announcement of the Qualifying Transaction Agreement. Such halt will remain in effect until either the Exchange receives and reviews the documentation required under this Policy and the CPC Filing Statement or Prospectus has been filed on SEDAR or the CPC Information Circular has been mailed to the shareholders, as applicable, or the CPC issues a news release disclosing that the proposed Qualifying Transaction is not proceeding.
- (c) As indicated in section 13.3, a trading halt or suspension may also be required when Final Documents are not submitted within the prescribed time.
- (d) If a CPC determines or becomes aware that a proposed Qualifying Transaction will not be proceeding as previously announced, or at all, the CPC must immediately notify the Exchange and issue a news release in that regard.
- (e) If a Sponsor is required and the CPC or Sponsor terminates the sponsorship of the proposed Qualifying Transaction, the parties must immediately notify the Exchange and issue a news release advising of the termination. Trading in the Listed Shares of the CPC will be halted and the halt will remain in effect until a new Sponsor has provided the Exchange with a Form 2G – *Sponsorship Acknowledgement Form* and a pre-filing conference has been completed.

See Policy 2.9 – *Trading Halts, Suspensions and Delisting*.

### **13.7 Refusal of Qualifying Transaction**

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction if the CPC fails to meet the Initial Listing Requirements upon the completion of the Qualifying Transaction or for any other reason at the sole discretion of the Exchange.

### **13.8 Compliance with Securities Law**

Participants in the CPC program are reminded that, in addition to complying with the provisions of this Policy, they must also continue to comply with relevant Securities Laws. In particular:

- (a) Participants in the CPC program are reminded of their obligation to comply with the applicable General Prospectus Rules.
- (b) Management of the CPC and the Resulting Issuer are reminded of their obligations to comply, to the extent applicable, with National Instrument 51-102 – *Continuous Disclosure Obligations*, including the provisions relating to change of auditors and changes in year-end, future oriented financial information and forward-looking information.

### **13.9 Effect of Exchange Acceptance**

Neither review of any proposed Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular, or any CPC Filing Statement, or the issuance of a Final QT Exchange Bulletin should be construed as assurance that the CPC or any Resulting Issuer is in compliance with applicable Securities Laws, including use of any registration or Prospectus exemption or the adequacy of disclosure in any take-over bid circular, offering memorandum or other disclosure document. Similarly, neither review of any proposed Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular, or any CPC Filing Statement, or the issuance of a Final QT Exchange Bulletin should be construed as an assurance as to the merits of the Qualifying Transaction or an investment in the securities of any issuer.

### **13.10 Changes in the Directors or Officers**

If there is a proposed change in the directors and/or senior officers of a CPC or a combined CPC prior to Completion of the Qualifying Transaction, the Exchange must be notified immediately as the CPC must seek and obtain prior Exchange acceptance of any new director or senior officer of the CPC. Prior to such acceptance:

- (a) each new director or senior officer of the CPC or combined CPC, and the board of directors of the CPC as a whole, must satisfy the requirements in sections 3.2(a), 3.2(b) and 3.2(c);
- (b) each new director or senior officer of the CPC or combined CPC must file the written undertaking required pursuant to sections 3.3(a)(ii) or 14.3(e), as applicable;
- (c) each new director or senior officer of the CPC or combined CPC must make the minimum investment into the CPC required pursuant to section 3.2(f)(iii);
- (d) each new director or senior officer of the CPC or combined CPC must file and have a PIF or Declaration cleared; and
- (e) if the changes to the directors and/or senior officers will result in a Change of Management, the disinterested Shareholders of the CPC must have approved the proposed new directors and/or senior officers.

### **13.11 Change of Control of the CPC**

Where there is a proposed Change of Control of the CPC, the CPC must comply with Part 6 of Policy 3.2 – *Filing Requirements and Continuous Disclosure*, pursuant to which the Exchange may require approval by the disinterested Shareholders of the CPC.

## 14. CPC Combinations

### 14.1 CPC Combinations

In order to facilitate certain CPCs in their identification and Completion of a Qualifying Transaction, the Exchange will permit:

- (a) the combination of certain CPCs (a “**Combination**”); and
- (b) a transaction between a CPC and an existing public company listed on the Exchange or on the TSX (a “**Public Company Transaction**”).

### 14.2 Eligibility

The provisions granting CPCs the ability to undertake a Combination or Public Company Transaction are measures intended to assist CPCs that are having difficulty finding and completing a Qualifying Transaction. CPCs must have conducted a pre-filing conference with the Exchange in order to be eligible to undertake a Combination or Public Company Transaction.

### 14.3 Combination of a Number of CPCs and Completion of an Acceptable Qualifying Transaction

A CPC may undertake a Combination with one or more other CPCs in order to complete a Qualifying Transaction subject to the following conditions:

- (a) the share exchange ratio among the CPCs must be based on the working capital of the CPCs on a pre-transaction basis;
- (b) the funds available to the combined CPC after closing of the Combination transaction cannot exceed \$10,000,000;
- (c) the CPC must comply with all the applicable provisions of this Policy including:
  - (i) in the case of a sponsored transaction, the Sponsor must comment in the Sponsor report on the reasonableness of any share exchange ratios and escrow restrictions; and
  - (ii) release of Escrow Securities of the CPC will commence upon issuance of the Final QT Exchange Bulletin. Transfers within escrow from the CPC’s Principals to new Principals may be acceptable to the Exchange. The provisions relating to the cancellation of escrowed shares pursuant to section 10.3 continue to apply in the event of a Combination of CPCs;
- (d) the CPC must include a provision in any information circular, takeover bid circular or other disclosure document required to effect the Combination which indicates that in the event that the Listed Shares of the combined CPC are delisted by the Exchange, then within 90 days of the date of such delisting the combined CPC will, in accordance with applicable law, wind-up and liquidate its assets, and distribute

its remaining assets on a pro-rata basis to its shareholders unless, within that 90 day period, Shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the combined CPC, approve another use of the remaining assets; and

- (e) prior to the approval by the Exchange, the combined CPC subject to the Combination must provide a written undertaking from that CPC and each of the proposed directors and senior officers of the combined CPC addressed to the Exchange and the Commissions, confirming that:
  - (i) they will comply in all respects with the restrictions contained in Part 7 in connection with the expenditure of funds raised prior to Completion of the Qualifying Transaction;
  - (ii) in the event that the Exchange delists the Listed Shares of the combined CPC, then within 90 days from the date of such delisting, they will, in accordance with applicable law, wind-up and liquidate the combined CPC's assets, and distribute its remaining assets, on a pro-rata basis, to its Shareholders unless, within that 90 day period, the Shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the combined CPC, approve another use of the remaining assets; and
  - (iii) they will provide written confirmation to the Commissions no later than 90 days from the date of delisting that they have complied with the undertakings at (i) and (ii) above.

#### **14.4 Combination of a CPC with an Existing Public Company**

A CPC may be permitted to combine with an existing public company as a Public Company Transaction subject to the following conditions:

- (a) the existing public company is listed on the Exchange or the TSX;
- (b) the release of Escrow Securities of the CPC will commence upon issuance of the final Exchange Bulletin in relation to the Public Company Transaction;
- (c) a transfer within escrow from Principals of the CPC to existing public company directors or senior officers, as part of the Public Company Transaction, may be acceptable to the Exchange;
- (d) the share exchange ratio between the CPC and the existing public company must be based on the working capital of the CPC on a pre-transaction basis;
- (e) sponsorship for the transaction will not be required, unless the transaction is part of a further transaction where sponsorship requirements would otherwise apply (i.e. COB, RTO and Change of Control); and

- (f) Shareholder approval requirements applicable to a Non-Arm's Length Qualifying Transaction, as set forth at section 11.6, will apply to the transaction, unless the public company, in compliance with applicable take-over bid requirements, acquires at least 90% of the outstanding Common Shares of the CPC.

## **14.5 Approval of Securities Regulators**

- (a) Issuers are reminded that if, in the context of a combination transaction, there is a proposed transfer of a control block, exemptive relief from applicable securities regulatory authorities may be necessary. In the event that one of the Issuers has been cease traded, an application to the applicable securities regulatory authority for reactivation may also be necessary.

## **15. Transition**

### **15.1 CPC Applicant**

Each Issuer that filed a CPC Prospectus in relation to its IPO and its Application for Listing as a CPC on the Exchange before January 1, 2021 but has not yet completed its Initial Public Offering as at December 31, 2020 may, at its option, elect to either:

- (a) comply with this Policy provided that the final CPC Prospectus (or amended final CPC Prospectus if its final CPC Prospectus has already been receipted) reflects this Policy, including the new forms of CPC Prospectus and CPC Escrow Agreement that come into effect on January 1, 2021 as they may be amended from time to time; or
- (b) file its final CPC Prospectus and complete its IPO in accordance with the Former Policy, in which case the CPC will be governed by the Former Policy, although the CPC may later elect to comply with the transition provisions in section 15.2.

### **15.2 Existing CPC**

Each CPC that is listed on the Exchange, including any CPC that is listed on NEX, as at January 1, 2021, and each CPC that elects to proceed under section 15.1(b), will be entitled to comply with this Policy on the following basis:

- (a) without obtaining Shareholder approval, the CPC may implement any change from the Former Policy other than those set out in section 15.2(b), including but not limited to changes that comply with:
  - (i) section 3.2(k), section 9.2 and section 14.3(b) of this Policy, which provide that the maximum aggregate gross proceeds to the treasury of the CPC from the issuance of IPO Shares and all Seed Shares and any Common Shares issued pursuant to a Private Placement must not exceed \$10,000,000, rather than \$5,000,000;

- (ii) section 7.1 and section 7.2 of this Policy, which set out the permitted use of proceeds and prohibited payments, and no longer provide that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and \$210,000 may be used for purposes other than identifying and evaluating assets or businesses and obtaining Shareholder approval for a proposed Qualifying Transaction;
- (iii) section 9.7(b) of this Policy, which permits the CPC to issue new Agent's Options in connection with a Private Placement; and/or
- (iv) section 3.2(d) of this Policy, which provides certain exceptions regarding the management of the CPC;

provided that it first issues a news release disclosing its intention to do so, including summaries of the substantive changes, at the time the board of directors decides to do so and in any case, prior to the effective date of such change; and

- (b) after it obtains disinterested Shareholder approval, by way of a specific separate resolution in respect of each proposed change described in sections 15.2(b)(i) through (vi) at a meeting of Shareholders or by the written consent of Shareholders holding more than 50% of the issued Listed Shares of the CPC, the CPC may implement any of the following changes from the Former Policy:
  - (i) removing, for any CPC listed on Tier 2 of the Exchange (including any CPC undertaking a Combination with another CPC), the potential consequences of obtaining majority Shareholder approval to list on NEX and cancelling certain Seed Shares held by Non-Arm's Length Parties to the CPC in the event that the CPC fails to complete a Qualifying Transaction within 24 months after the date of listing of the Common Shares of that CPC on the Exchange, provided that the votes attached to the Listed Shares of the CPC held by Non-Arm's Length Parties to the CPC who own Seed Shares and their Associates and Affiliates are excluded from the calculation of any such approval or written consent;
  - (ii) removing, for any CPC listed on Tier 2 of the Exchange that undertook a Combination under section 15.3 of the Former Policy, the requirement to effect the Completion of the Qualifying Transaction within a period of 12 months from the date of closing of the Combination, provided that the votes attached to the Listed Shares of each CPC held by Non-Arm's Length Parties to such CPC who own Seed Shares and their Associates and Affiliates are excluded from the calculation of any such approval or written consent;
  - (iii) increasing the length of the term of any outstanding Agent's Option, which is only permitted if:
    - (A) such increased term does not exceed five years from the date that Agent's Option was originally granted; and

- (B) the exercise price of the Agent's Option is higher than the Market Price of the CPC's Common Shares at the time of the announcement of the proposed change;

provided that the votes attached to the Listed Shares of the CPC held by the holder of such Agent's Option and its Associates and Affiliates are excluded from the calculation of any such approval or written consent;

- (iv) amending any CPC Escrow Agreement to which it is a party to:
  - (A) reduce the length of the term of any escrow provision to a term that is not less than such as is permitted by section 10.2; and/or
  - (B) immediately release from escrow any Common Shares that were issued at or above the issue price of the CPC's IPO Shares and that are held by a member of the Pro Group who is not a Principal of the CPC;

provided that it complies with all other terms and conditions of the CPC Escrow Agreement applicable to its amendment and that the votes attached to the Listed Shares of the CPC held by Shareholders who are parties to the CPC Escrow Agreement and their Associates and Affiliates are excluded from the calculation of any such approval or written consent;

- (v) permitting the payment of any finder's fee or commission to a Non-Arm's Length Party to the CPC upon Completion of the Qualifying Transaction, provided that the votes attached to the Listed Shares of the CPC held by all Non-Arm's Length Parties to the CPC and their Associates and Affiliates are excluded from the calculation of any such approval or written consent; and/or
- (vi) adopting a stock option plan under which the total number of Common Shares reserved for issuance is 10% of the Common Shares of the CPC outstanding as at the date of grant of any stock option, rather than 10% of the Common Shares of the CPC outstanding as at the closing of the CPC's IPO, provided that the votes attached to the Listed Shares of the CPC held by Insiders to whom options may be granted under the stock option plan and their Associates and Affiliates are excluded from the calculation of any such approval or written consent;

provided that it first issues a news release disclosing its intention to do so, including summaries of the substantive changes, at the time the board of directors decides to do so and in any case, not less than seven business days prior to the effective date of such amendment, and obtains the acceptance of the Exchange.

Any Seed Shares of the CPC that were cancelled in connection with the transfer of the CPC to NEX are not permitted to be re-issued.

### 15.3 Resulting Issuer

Each Resulting Issuer that is listed on the Exchange or the Toronto Stock Exchange as at January 1, 2021, may amend any CPC Escrow Agreement to which it is a party to:

- (a) reduce the length of the term of any escrow provision to a term that is not less than such as is permitted by section 10.2, which may result in the immediate release of some or all of the Escrow Securities; and/or
- (b) immediately release from escrow any Common Shares held by a member of the Pro Group, who was not a Principal of the CPC, that were issued at or above the issue price of the CPC's IPO Shares;

provided that it first:

- (c) issues a news release disclosing its intention to so amend its CPC Escrow Agreement at the time the board of directors decide to implement that amendment and in any case, not less than seven business days prior to the effective date of such amendment;
- (d) obtains the acceptance of the Exchange;
- (e) obtains disinterested Shareholder approval of the proposed amendment at a meeting of Shareholders or by the written consent of Shareholders holding more than 50% of the issued Listed Shares of the Resulting Issuer, provided that the votes attached to the Listed Shares of the Resulting Issuer held by Shareholders who own Escrow Shares and their Associates and Affiliates are excluded from the calculation of any such approval or written consent; and
- (f) complies with all other terms and conditions of the CPC Escrow Agreement applicable to its amendment.



## SCHEDULE “A”

### FORMER POLICY



## POLICY 2.4 CAPITAL POOL COMPANIES

### Scope of Policy

This Policy applies to any issuer that proposes to list on the Exchange as a capital pool company (a “CPC”). The Exchange’s program was designed as a corporate finance vehicle to provide businesses with an opportunity to obtain financing earlier in their development than might be possible with an IPO. The CPC program permits an IPO to be conducted and an Exchange listing to be achieved by a newly created company that has no assets, other than cash, and has not commenced commercial operations. The CPC then uses this pool of funds to identify and evaluate assets or businesses which, when acquired, qualify the CPC for listing as a regular Tier 1 or Tier 2 Issuer on the Exchange.

This Policy outlines the procedures for listing a CPC on the Exchange and the procedures to be followed and standards to be applied when a CPC undertakes a Qualifying Transaction.

The main headings in this Policy are:

1. Definitions
2. Overview of Process
3. Initial Listing Requirements for CPCs
4. Disclosure Required in a CPC Prospectus
5. Agents
6. Agent’s Option
7. Other Options Issued by the CPC
8. Prohibited Payments and Use of Proceeds
9. Restrictions on Trading
10. Private Placements for Cash
11. Escrow
12. Qualifying Transaction
13. Information Circular and Filing Statement
14. Other Requirements
15. CPC Combinations

# 1. DEFINITIONS

## 1.1 In this Policy:

“**Agent**” means any Person registered under applicable Securities Laws to act as an agent to offer and sell the IPO Shares on behalf of the CPC which has entered into a best efforts agency agreement with the CPC.

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

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction; and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non-Arm's Length Parties to the CPC or the Non-Arm's Length Parties to the Qualifying Transaction.

“**Agent's Option**” means the option to purchase common shares of the CPC which may be granted to the Agent in accordance with section 6 of this Policy.

“**AMF**” means the Autorité des marchés financiers.

“**Commission(s)**” refers to the Securities Commission(s) with which the CPC Prospectus is filed.

“**common shares**” means single voting common shares of an Issuer.

“**Completion of the Qualifying Transaction**” means the date the Final Exchange Bulletin is issued by the Exchange.

“**CPC**” means a corporation:

- (a) that has filed and obtained a receipt for a preliminary CPC Prospectus from one or more of the Commissions in compliance with this Policy; and
- (b) in regard to which the Final Exchange Bulletin has not yet been issued.

“**CPC Filing Statement**” means the Filing Statement of the CPC prepared in accordance with the Exchange Form of Filing Statement (Form 3B2) which provides full, true and plain disclosure of all material facts relating to the CPC and the Target Company.

**“CPC Information Circular”** means the Information Circular of the CPC prepared in accordance with applicable Securities Laws and the Exchange Form of Information Circular (Form 3B1) which provides full, true and plain disclosure of all material facts relating to the CPC and the Target Company.

**“Escrow Shares”** means

- (a) all Seed Shares issued at a price lower than the price of the IPO Shares;
- (b) all Seed Shares, IPO Shares and any securities acquired from treasury after the IPO but before issuance of the Final Exchange Bulletin (other than shares acquired which are subject to section 11.6 and those shares acquired upon exercise of stock options which must be escrowed as provided in section 7.5) which are, directly or indirectly, beneficially owned or controlled by Non-Arm's Length Parties of the CPC (as determined post IPO);
- (c) all securities acquired by a Control Person in the secondary market prior to Completion of the Qualifying Transaction; and
- (d) all Seed Shares purchased by a member of the Aggregate Pro Group.

**“Final Exchange Bulletin”** means the Exchange Bulletin issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange Acceptance of the Qualifying Transaction.

**“General Prospectus Rules”** means National Instrument 41-101 – *General Prospectus Requirements*.

**“IPO Shares”** means the common shares offered to the public pursuant to the IPO.

**“Majority of the Minority Approval”** means the approval of the Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non-Arm's Length Parties to the CPC;
- (b) Non-Arm's Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if a CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction

at a properly constituted meeting of the common shareholders of the CPC.

**“Non-Arm's Length Parties to the Qualifying Transaction”** means the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Company(ies), the Non-Arm's Length Parties of the Vendor(s), the Non-Arm's Length Parties of any Target Company(ies)

and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

**“Non-Arm’s Length Qualifying Transaction”** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

**“Qualifying Transaction”** means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

**“Resulting Issuer”** means the Issuer that was formerly a CPC, which exists upon issuance of the Final Exchange Bulletin.

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the Initial Listing Requirements. See Policy 2.1 – *Initial Listing Requirements*.

**“Target Company”** means a Company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

**“Vendors”** means one or all of the beneficial owners of the Significant Assets [other than a Target Company(ies)].

## **2. Overview of Process**

### **2.1 General Matters**

The CPC program is a two-stage process. The first stage involves the filing and clearing of a CPC Prospectus, the completion of the IPO and the listing of the CPC’s common shares on the Exchange. The second stage involves an Agreement in Principle in respect of a proposed Qualifying Transaction, the preparation and filing with the Exchange of a comprehensive CPC Information Circular or CPC Filing Statement. Where the proposed Qualifying Transaction is a Non-Arm’s Length Qualifying Transaction, the CPC must file a CPC Information Circular and send that document to its shareholders prior to holding a shareholders’ meeting to obtain Majority of the Minority Approval in connection with the proposed Qualifying Transaction. Where the proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction the CPC will not be required to obtain shareholder approval of the Qualifying Transaction provided that it files the CPC Filing Statement. Where the proposed is not a Non-Arm’s Length Qualifying Transaction but shareholder approval is otherwise required by law (including where there will be a change of auditor, election of new directors, or in an amalgamation situation) the CPC may restrict the shareholder approval to those transactions for which shareholder approval is required by law.

### **2.2 Stage One – CPC Prospectus and Exchange Listing**

- (a) The CPC program is not available in all jurisdictions. Accordingly, Issuers must consult the appropriate Securities Laws to determine the availability of the CPC program in each jurisdiction in which the CPC Prospectus is proposed to be filed.

Each of the Commissions retains discretion to determine whether or not to issue a receipt for the CPC Prospectus.

- (b) A CPC must retain an Agent who will sign the CPC Prospectus as underwriter.
- (c) The preliminary CPC Prospectus and all supporting documents required by Securities Laws are concurrently filed via SEDAR with the Exchange and with the Commissions in those jurisdictions where the distribution is to be made. Concurrently with the filing of the preliminary CPC Prospectus, the CPC must also make an application to the Exchange for conditional acceptance of the listing of the CPC. See Policy 2.3 – *Listing Procedures*.
- (d) Where the IPO will be conducted in one province only, the CPC Prospectus must be filed with the regional office of the Exchange in the jurisdiction where the IPO is to be conducted. If the IPO is to be conducted in a region with no corresponding Exchange regional office, the filer may choose the office it wishes to vet the CPC Prospectus. If the IPO is conducted in more than one jurisdiction, the CPC Prospectus should be filed with the regional office of the Exchange corresponding to the principal regulator pursuant to National Policy 11-202 – *Mutual Reliance Review System for Prospectuses and AIFs*.
- (e) The Exchange will issue comments in regard to the preliminary CPC Prospectus and the Application for Listing. All comments from the Exchange and all responses made by the CPC to the Exchange, relating to the preliminary CPC Prospectus and CPC Prospectus must be communicated via SEDAR. When the CPC has satisfactorily resolved the significant comments of the Exchange, the Application for Listing will then be presented to the Exchange’s Executive Listing Committee for consideration. If the Application for Listing is conditionally accepted, and the Commission(s) indicates via SEDAR that they are clear to receive final materials, the CPC will file its final CPC Prospectus and all supporting documents via SEDAR with the Exchange and the Commission(s).
- (f) After each applicable Commission has issued a final receipt for the CPC Prospectus, the CPC proceeds to close the IPO. After the closing, final listing documentation, as required under Policy 2.3 - *Listing Procedures*, is filed with the Exchange. If all final listing documentation is satisfactory, the Exchange issues an Exchange Bulletin evidencing its final acceptance of the documents and indicating that the CPC’s shares will commence trading on the Exchange in two trading days. On the date specified in the Exchange Bulletin, the shares will commence trading on Tier 2 of the Exchange with the designation “.P” beside the stock symbol to indicate that the Issuer is a CPC.

### **2.3 Stage Two – Completion of a Qualifying Transaction**

- (a) The second stage of the CPC program is triggered when there is an Agreement in Principle to acquire the Significant Assets that form the basis of the CPC’s Qualifying Transaction. As soon as the CPC reaches an Agreement in Principle, it

must issue a comprehensive news release as described in section 12.2 of this Policy. A Material Change report must be filed pursuant to applicable Securities Laws. When the CPC anticipates that it will be issuing a news release, it must immediately send a copy of the draft news release to the Corporate Finance Department of the Exchange for review.

- (b) Trading in the Listed Shares of the CPC will be halted pursuant to section 14.6(b) pending announcement of the Agreement in Principle made in accordance with section 12.2. Trading will remain halted until each of the following has occurred:
  - (i) where the transaction is subject to sponsorship, the Exchange has received a Sponsorship Acknowledgement Form (Form 2G), and the accompanying documents as may be required by Policy 2.2 - *Sponsorship and Sponsorship Requirements*;
  - (ii) the Exchange has received a Personal Information Form (Form 2A) or, if applicable, a Declaration (Form 2C1) for each Person who will be a director, senior officer, Promoter (including a Promoter as described in Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*) and other Insiders of the Resulting Issuer together with resumes for each director and senior officer of the Resulting Issuer;
  - (iii) the Exchange has completed any preliminary background searches it considers necessary or advisable; and
  - (iv) a comprehensive news release prepared in accordance with section 12.2, which is acceptable to the Exchange, has been issued.

The Exchange recommends that a pre-filing conference, as contemplated by Policy 2.7 – *Pre-Filing Conferences*, be held by a CPC particularly where the Agreement In Principle or proposed Qualifying Transaction may involve unique or unusual circumstances.

For the circumstances where a Sponsor Report is required, see Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

- (c) Notwithstanding the satisfaction of the conditions in section 2.3(b), the Exchange may continue or reinstate a halt in trading of the Listed Shares of a CPC for public policy reasons, which may include:
  - (i) the nature of the proposed business of the Resulting Issuer is unacceptable to the Exchange; or
  - (ii) the number of conditions precedent that are required to be satisfied by the CPC in order to complete the Qualifying Transaction, or the nature or number of any deficiency or deficiencies required by the Exchange to be resolved is or are so significant or numerous, as to make it appear to the Exchange that the halt should be reinstated or continued.

- (d) The CPC has 75 days from the announcement of the Agreement in Principle to make the initial submission required by section 12.3 of this Policy. The primary documents in the initial submission are the draft CPC Information Circular or draft CPC Filing Statement, and if there is a Sponsor, confirmation that the Sponsor has reviewed the draft CPC Information Circular or draft CPC Filing Statement, as applicable, in accordance with section 12.3(b) of this Policy. See also Policy 2.2 – *Sponsorship and Sponsorship Requirements*. The CPC must prepare and file a CPC Information Circular, proxy material and related information where shareholder approval is required for the Qualifying Transaction. Where shareholder approval is not required, the CPC Filing Statement serves as the disclosure document. The Exchange reviews the draft CPC Information Circular or draft CPC Filing Statement, as applicable, and the supporting documents including, if applicable, the preliminary Sponsor Report, and advises of any comments. Provided that the comments in the initial Exchange comment letter are not of a substantial nature, where shareholder approval is required, the Exchange will permit the CPC to set the date for the shareholder meeting for approval of the proposed Qualifying Transaction.
- (e) If the Exchange determines that the draft CPC Information Circular or draft CPC Filing Statement, as applicable, or any supporting document, contains significant deficiencies, the Exchange may request that the CPC re-file all materials at a later date. In these circumstances, the Exchange may not commence its initial detailed review of the draft CPC Information Circular or draft CPC Filing Statement or any other supporting document including, if applicable, the preliminary Sponsor Report, until such deficiencies are substantially resolved to the satisfaction of the Exchange.
- (f) The initial submission is presented to the Exchange’s Executive Listings Committee for consideration. If the application is conditionally accepted, the CPC will be invited to file the applicable documentation described in section 12.4 of this Policy with the Exchange and mail the CPC Information Circular to the shareholders. Concurrently with mailing of the CPC Information Circular to the shareholders, the CPC must file the CPC Information Circular with the Exchange and the Commission(s) via SEDAR. If no shareholder approval is required, the CPC must file the CPC Filing Statement on SEDAR once it has obtained conditional approval from the Exchange. The CPC Filing Statement must be filed on SEDAR at least seven business days prior to the closing of the Qualifying Transaction and a news release must be issued, in accordance with section 12.4(i). Upon issuance of the news release, trading in the Listed Shares of the CPC will be briefly halted so as to permit dissemination of the news release, in accordance with section 7.3 of Policy 3.3 – *Timely Disclosure*.
- (g) Where required by this Policy or corporate or Securities Laws, the CPC must then hold the shareholders’ meeting at which the shareholders are asked to grant shareholder approval of the proposed Qualifying Transaction, and to approve any other related matters. If the proposed Qualifying Transaction is a Non-Arm’s Length Qualifying Transaction or is subject to Policy 5.9, Majority of the Minority

Approval will be required. Majority of the Minority Approval constitutes minority approval as contemplated under Policy 5.9. If the shareholders approve the Qualifying Transaction, the CPC may then proceed to close the Qualifying Transaction and acquire the Significant Assets. Where the Qualifying Transaction is not subject to shareholder approval, the CPC may close the Qualifying Transaction after filing the CPC Filing Statement on SEDAR in accordance with section 2(f). After closing of the Qualifying Transaction, the CPC is required to file with the Exchange all applicable final/post-meeting documentation as described in section 12.5 of this Policy.

- (h) Provided that the final/post-meeting documentation is satisfactory, the Exchange issues the Final Exchange Bulletin that evidences final Exchange Acceptance and confirms Completion of the Qualifying Transaction. The Final Exchange Bulletin also indicates that the Resulting Issuer will not be considered a CPC, will not trade with the designation “.P” and will commence trading in two trading days under a new name and a new stock symbol, if applicable.

## **2.4 Availability of the CPC Program**

The CPC program may not be used where the proposed CPC has an Agreement in Principle. Where a proposed CPC or its Agent(s) is uncertain about the availability of the CPC program, the Exchange encourages them to schedule a pre-filing conference to discuss the issue. See Policy 2.7 – *Pre-Filing Conferences*.

## **2.5 Guidelines for Interpretation – Agreement in Principle Exists**

- (a) **No Material Conditions** – If the board of directors of a CPC has a “meeting of minds” with the other parties to a proposed Qualifying Transaction on all fundamental terms, and no material conditions to closing exist which are beyond the reasonable control of the Non-Arm’s Length Parties to the CPC or Non-Arm’s Length Parties to the Qualifying Transaction (other than receipt of shareholder approval and Exchange Acceptance), then an Agreement in Principle exists. In such cases, the parties should seek an alternative method of going public.
- (b) **Non-Arm’s Length Qualifying Transaction** - Regulatory concern arises where the CPC undertakes a Non-Arm’s Length Qualifying Transaction. Although a formal agreement may not have been entered into, if the Non-Arm’s Length Parties are nevertheless virtually certain of reaching an agreement, an Agreement in Principle exists and the parties should seek an alternative method of going public.

## **2.6 Guidelines for Interpretation – Agreement in Principle Does Not Exist**

- (a) **Public Announcement of the Intended Acquisition** – A public announcement of an intended acquisition is not, in and of itself, evidence that an Agreement in Principle exists if material conditions beyond the control of the Non-Arm’s Length Parties to the CPC or the Non-Arm’s Length Parties of the Qualifying Transaction have to be completed in order to effect the acquisition.



- (b) **Private Placement Financing** – If the CPC is undertaking a best efforts financing, and such financing is a material condition of closing that is unfulfilled, the Exchange will generally consider that an Agreement in Principle has not been reached.
- (c) **Consideration** – If the parties to a proposed acquisition have not agreed on the total consideration to be paid for the Significant Assets or have not conclusively identified the means by which the consideration for the Significant Assets will be determined, the Exchange will generally consider that an Agreement in Principle has not been reached. If a valuation opinion has not been prepared or is not complete, the reasons why the valuation opinion has not been prepared or is not complete should be evaluated. Where there are significant uncertainties underlying source data or assumptions or valuation techniques to be applied, the Exchange will generally consider that an Agreement in Principle has not been reached.
- (d) **Financial Statements** – If financial statements relating to the Significant Assets to be acquired have not yet been prepared, primary due diligence procedures fundamental to the decision to proceed have not been completed. Accordingly, the Exchange will generally consider that an Agreement in Principle has not been reached.
- (e) **Due Diligence** – Where significant due diligence matters remain unresolved, the Exchange will generally consider that an Agreement in Principle has not been reached.

## 2.7 Disclosure in CPC Prospectus

Notwithstanding the guidelines set forth at section 2.5 and 2.6, the Persons signing the certificate contained in the CPC Prospectus are reminded that they are ultimately responsible for ensuring that the CPC Prospectus provides full, true and plain disclosure of all material facts as required by Securities Laws and as contemplated by section 4.1, including, where applicable, material facts relating to any potential Qualifying Transaction.

## 2.8 Relief from the “Significant Probable Acquisition” and the “Multiple Acquisition” Disclosure Requirements under General Prospectus Rules

Issuers that may have a significant probable acquisition or multiple acquisitions, as defined under applicable General Prospectus Rules, are referred to section 14.10 of this Policy.

# 3. Initial Listing Requirements for CPCs

## 3.1 Restrictions on Business of a CPC

The only business permitted to be undertaken by a CPC is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Until the Completion of the Qualifying Transaction, a CPC must not carry on any business other than the identification and evaluation of assets or businesses with a view to a potential Qualifying Transaction.

## 3.2 Listing Requirements

The following initial listing requirements must be satisfied to be listed as a CPC with the Exchange and to maintain that listing:

- (a) Except to the extent specifically modified by this Policy, the CPC must comply with Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*. Each proposed director and officer must meet the minimum suitability requirements under Policy 3.1 and the board of directors of the CPC as a whole must have the public company experience required by that Policy. In addition, each proposed director and senior officer of the CPC must be either:
  - (i) a resident of Canada or the United States, or
  - (ii) an individual who has demonstrated a positive association as a director or officer with one or more public companies that are subject to a regulatory regime comparable to that of a Canadian exchange. The CPC must provide the Exchange with evidence that such regulatory regime is comparable (in terms of registration, regulatory oversight and filing requirements).
- (b) Given the nature of the CPC program, the Exchange expects management of a CPC to meet a high standard. As a result, in addition to the requirements set out in Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*, the Exchange requires that the directors and senior officers of the CPC must collectively possess the appropriate experience, qualifications and history which demonstrates that the management of the CPC will be capable of identifying, investigating and acquiring Significant Assets. In determining the acceptability of each director and senior officer, and the board as a whole, the Exchange will review the qualifications, experience, and regulatory history of each proposed member of the board to determine their suitability as a CPC board member on both an individual basis, and in relation to the other members of the board.
- (c) In determining the acceptability of the board in general, the Exchange will consider whether the members of the board collectively possess:
  - (i) a positive track record with junior companies, as evidenced by growth of such companies;
  - (ii) the ability to raise financing;
  - (iii) a positive corporate governance and regulatory history;
  - (iv) technical experience in the appropriate industry sector, where applicable;
  - (v) the ability to locate and develop appropriate acquisition opportunities for companies; and

- (vi) positive experience as directors or senior officers with public companies in Canada or the United States, as evidenced by the growth of such companies and /or the listing of such companies on Tier 1 of the Exchange or on a senior exchange or quotation system such as the TSX, NASDAQ or NYSE.
- (d) The minimum price per share at which the Seed Shares may be issued is the greater of \$0.05 and 50% of the price at which the IPO Shares are sold.
- (e) The minimum total amount of Seed Capital raised by the CPC through the issuance of the Seed Shares must be equal to or greater than the greater of (i) \$100,000 and (ii) 5% of the aggregate of all proceeds received by the CPC on the date of its final Prospectus resulting from the issuance of treasury securities, including, without limitation, proceeds from the issuance of Seed Shares, proceeds from any Private Placement securities and proceeds from IPO Shares. The maximum amount of Seed Share Capital raised by Seed Shares issued at less than the IPO price can be no greater than \$500,000. The minimum Seed Capital contribution must be contributed by directors and officers of the CPC or trusts or holding companies controlled by these directors or officers. Control can be demonstrated by ownership of 50% or more of the outstanding voting securities or in the case of a trust, beneficial interest in the trust. Seed Capital contributions made by trusts or holding companies will be pro rated on the basis of the percentage of ownership or beneficial interest held by the applicable directors or officers or immediate family members or such directors and officers. Each director and officer of the CPC or their respective trust (or holding company) must subscribe for Seed Shares for an aggregate consideration of at least \$5000. Seed Share subscriptions by others will only be permitted after the aggregate minimum of the greater of the amount required under (i) and (ii) above has been contributed by each of the directors and officers.
- (f) The minimum price at which the IPO Shares may be issued is \$0.10. Only a single class of common shares may be issued as Seed Shares and IPO Shares.
- (g) Companies cannot hold Seed Shares unless the name of each individual who directly or indirectly beneficially owns controls or directs these securities is disclosed to the Exchange. If the beneficial owner of Seed Shares is not an individual, the name of the individual or individuals beneficially owning, controlling or directing the Company or Companies that hold the Seed Shares of the CPC must be disclosed.
- (h) At the time of listing and until Completion of the Qualifying Transaction, neither the CPC nor any other party on behalf of the CPC will have engaged or will engage the services of any Person to provide Investor Relations Activities, promotional or market-making services.
- (i) The gross proceeds to the treasury of the CPC from its IPO must be equal to or greater than \$200,000 and must not exceed \$4,750,000.

- (j) The maximum aggregate gross proceeds to the treasury of the CPC from the issuance of IPO Shares and all Seed Shares and shares issued pursuant to a Private Placement must not exceed \$5,000,000.
- (k) The CPC must have at least 1,000,000 of its issued and outstanding common shares in the Public Float upon completion of the IPO.
- (l) Upon completion of the IPO, the CPC must have a minimum of 200 shareholders with each shareholder beneficially owning at least 1,000 common shares free of Resale Restrictions exclusive of any common shares held by Non-Arm's Length Parties to the CPC.
- (m) The maximum number of common shares which may be directly or indirectly purchased by any one purchaser pursuant to the IPO will be 2% of the IPO Shares.
- (n) Notwithstanding section 3.2(m) above, the maximum number of common shares that may be directly or indirectly purchased pursuant to the IPO by any purchaser, together with that purchaser's Associates and Affiliates, is 4% of the IPO Shares.
- (o) Other than IPO Shares, the only additional securities that may be issued and outstanding are Seed Shares, stock options as permitted by section 7 of this Policy, the Agent's Option, any securities issued pursuant to a Private Placement in accordance with section 10, and any securities issued pursuant to the Qualifying Transaction.
- (p) The ownership of Seed Shares, IPO Shares and shares issued pursuant to a Private Placement by the Sponsor and its Associates or Affiliates and by any member of the Pro Group, must be in compliance with section 14.8 of this Policy.

### **3.3 Listing Documents**

A Company seeking a listing as a CPC must file:

- (a) with the Exchange and the Commissions:
  - (i) all documentation required to be filed in connection with a Prospectus under applicable Securities Law, and, in the case of the filing with the Exchange, must also include in the covering letter identification of any required waivers or exemptive relief applications from Exchange Requirements; and
  - (ii) a written undertaking from the CPC and each of its directors and officers addressed to the Exchange and the Commissions confirming that:
    - (A) they will comply in all respects with the restrictions contained in Part 8 of this Policy in connection with the expenditure of funds raised prior to Completion of the Qualifying Transaction;

- (B) in the event that the Exchange delists the Listed Shares of the CPC, then within 90 days from the date of such delisting, they will, in accordance with applicable law, wind-up and liquidate the CPC's assets and distribute its remaining assets, on a pro rata basis, to its shareholders unless, within that 90 day period, the shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the CPC, approve another use of the remaining assets;
  - (C) they will provide written confirmation to the Commissions no later than 90 days from the date of delisting, that they have complied with the undertakings at (A) and (B) above; and
- (b) with the Exchange, all applicable documentation required to be filed for a Listing Application under Policy 2.3 - *Listing Procedures*.

## **4. Disclosure Required in a CPC Prospectus**

- 4.1** A CPC Prospectus must provide full, true and plain disclosure of all material facts relating to the securities offered under the CPC Prospectus. It must be prepared in accordance with applicable Securities Law, and pursuant to the CPC Prospectus Form (Form 3A). The Exchange requires all Issuers filing a CPC Prospectus to comply with applicable General Prospectus Rules and the form under the applicable General Prospectus Rules. Issuers are reminded that the CPC Prospectus Form is not a Commission form, and is intended to provide guidance to a CPC in respect of compliance with the form under the applicable General Prospectus Rules.

## **5. Agents**

### **5.1 General**

In each jurisdiction where the IPO is conducted, the CPC must have an Agent who is registered under the Securities Laws in a category which permits the Agent to act as the selling agent of the IPO Shares. At least one Agent must be a Member of the Exchange. An Agent must sign the certificate page of the CPC Prospectus as underwriter.

### **5.2 Agent's Compensation**

- (a) The maximum sales commission payable to an Agent as compensation for acting as the Agent in connection with the IPO is 10% of the gross proceeds raised pursuant to the IPO.
- (b) Other than as provided for in this Policy, no securities of the CPC can be issued or granted to the Agent or its Associates or Affiliates.
- (c) Any corporate finance fee or other compensation paid or to be paid to the Agent in its capacity as agent or otherwise in connection with the CPC Prospectus must be

disclosed in the CPC Prospectus and any such fee or compensation payable in connection with a Qualifying Transaction must be disclosed in the CPC Information Circular or CPC Filing Statement, as applicable, and if known at the date of the CPC Prospectus, in the CPC Prospectus. Any such fees or compensation must be reasonable in the circumstances.

## **6. Agent's Option**

**6.1** No option or other right to subscribe for securities of a CPC may be granted to the Agent unless:

- (a) the option or right is a single, non-transferable option or right;
- (b) the number of shares issuable upon exercise of the option or right does not exceed 10% of the total number of IPO Shares;
- (c) the exercise price per share under the option or right is not less than the IPO Share price; and
- (d) the option or right is exercisable only until the close of business on the date that is 24 months from the date of listing of the shares of the CPC on the Exchange.

**6.2** The option or right may be exercised in whole or in part by the Agent before the Completion of the Qualifying Transaction by the CPC, provided that no more than 50 percent of the aggregate number of common shares which can be acquired by the Agent on exercise of the entire option or right may be sold by the Agent before the Completion of the Qualifying Transaction.

## **7. Other Options Issued by the CPC**

**7.1** Incentive stock options granted by a CPC may only entitle the holder to acquire common shares of the CPC. Incentive stock options may only be granted to a director or officer of the CPC, and where permitted by Securities Laws, a technical consultant whose particular industry expertise in relation to the business of the Vendors or the Target Company, as the case may be, is required to evaluate the proposed Qualifying Transaction, or a Company, all of whose securities are owned by such a director, officer or technical consultant. The total number of common shares reserved under option for issuance under this section or as may be issued under section 7.7, may not exceed 10% of the common shares to be outstanding as at the closing of the IPO.

**7.2** The number of common shares reserved under option for issuance to any individual director or officer may not exceed 5% of the common shares to be outstanding after closing of the IPO. The number of common shares reserved under option for issuance to all technical consultants may not exceed 2% of the common shares to be outstanding after

closing of the IPO. Options granted by a CPC are subject to the percentage limitations set forth in Policy 4.4 - *Incentive Stock Options*.

- 7.3 CPC's are prohibited from granting options to any person providing Investor Relations Activities, promotional or market-making services.
- 7.4 The exercise price per common share under any stock option granted by a CPC cannot be less than the greater of the IPO Share price and the Discounted Market Price.
- 7.5 No stock option granted pursuant to this section may be exercised before the Completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the shares acquired into escrow until the issuance of the Final Exchange Bulletin.
- 7.6 Options granted under this section to any Optionee that does not continue as a director, officer, technical consultant or employee of the Resulting Issuer, have a maximum term of the later of 12 months after the Completion of the Qualifying Transaction and 90 days after the Optionee ceases to become a director, officer, technical consultant or employee of the Resulting Issuer.
- 7.7 Stock Options granted after the IPO must be filed using Form 4G - *Summary Form - Incentive Stock Options*.
- 7.8 A CPC may grant an Eligible Charitable Organization (as defined in Policy 4.7 – *Charitable Options*) options to acquire shares of the CPC. Any grant of options made to an Eligible Charitable Organization must be made in accordance with Policy 4.7.

## **8. Prohibited Payments and Use of Proceeds**

### **8.1 Prohibited Payments to Non-Arm's Length Parties**

Except as permitted by sections 7 and 8 of this Policy, until the Completion of the Qualifying Transaction, no payment of any kind may be made, directly or indirectly, by a CPC to a Non-Arm's Length Party to the CPC or a Non-Arm's Length Party to the Qualifying Transaction, or to any person engaged in Investor Relations Activities in respect of the CPC or the securities of the CPC or any Resulting Issuer by any means including:

- (a) remuneration, which includes, but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;
  - (iv) finder's fees;
  - (v) loans;

- (vi) advances;
- (vii) bonuses; and
- (b) deposits and similar payments.

No payment referred to in this section may be made by a CPC or by any party on behalf of the CPC, after the Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred before or in connection with the Qualifying Transaction.

## **8.2 Exceptions to the Prohibitions on Payments to Related Parties of the CPC**

Subject to subsections 3.1, 8.4 and 8.5, a CPC may:

- (a) reimburse a Non-Arm's Length Party to the CPC for:
  - (i) reasonable expenses for office supplies, office rent and related utilities;
  - (ii) reasonable expenses for equipment leases; and
  - (iii) legal services, provided that:
    - (A) if the lawyer receiving the remuneration is a sole practitioner, or a member of an association of sole practitioners, the lawyer is not a Promoter of the CPC; and
    - (B) if the legal services are provided by a firm of lawyers, no member of the law firm is a Promoter or owns greater than 10% of the shares of the CPC; and
- (b) reimburse a Non-Arm's Length Party to the CPC for reasonable out-of-pocket expenses incurred in pursuing the business of the CPC as referenced in section 3.1.

## **8.3 Permitted Use of Proceeds**

- (a) Subject to subsections 3.1, 8.2, and 8.4 until the Completion of the Qualifying Transaction, the gross proceeds realized from the sale of all securities issued by the CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction. The proceeds may be used for expenses such as expenses incurred for the preparation of:
  - (i) valuations or appraisals;
  - (ii) business plans;
  - (iii) feasibility studies and technical assessments;
  - (iv) sponsorship reports;



- (v) Geological Reports;
- (vi) financial statements;
- (vii) fees for legal and accounting services;
- (viii) Agents fees, costs and commissions;

relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the proposed Qualifying Transaction.

- (b) Certain loans, advances and deposits may be made to the Target Company by the CPC provided they are made in compliance with section 8.5 of this Policy.

#### **8.4 Restrictions on Use of Proceeds**

- (a) Until the Completion of the Qualifying Transaction, no more than the lesser of 30% of the gross proceeds from the sale of securities issued by a CPC and \$210,000 may be used for purposes other than as provided in section 8.3. For greater clarification, expenditures that are not included in section 8.3 include:
  - (i) listing and filing fees (including SEDAR fees);
  - (ii) other costs of the issue of securities, including legal and audit expenses relating to the preparation and filing of the CPC Prospectus; and
  - (iii) administrative and general expenses of the CPC, including:
    - (A) office supplies, office rent and related utilities;
    - (B) printing costs, including printing of the CPC Prospectus and share certificates;
    - (C) equipment leases; and
    - (D) fees for legal advice and audit services relating to matters other than those described in paragraph 8.3(a)
- (b) Until the Completion of the Qualifying Transaction, no proceeds from the sale of securities of a CPC may be used to acquire or lease a vehicle.
- (c) The restrictions in this Policy on expenditures and the use of proceeds continue to apply until Completion of the Qualifying Transaction.
- (d) If the CPC completes a Qualifying Transaction before spending the entire proceeds on identifying and evaluating properties or businesses, the CPC may use the remaining funds to finance or partly finance the acquisition of, or participation in the Significant Assets.

## **8.5 Deposits, Loans and Advances to the Vendor or Target Company**

- (a) Subject to prior Exchange Acceptance, up to an aggregate of \$225,000 may be advanced as a refundable deposit or secured loan by a CPC to a Vendor or Target Company as the case may be, for a proposed arm's length Qualifying Transaction provided that:
  - (i) the Qualifying Transaction has been announced pursuant to section 12.2;
  - (ii) the due diligence with respect to the Qualifying Transaction is well underway;
  - (iii) a sponsor has been engaged (as evidenced by the filing of a Sponsorship Acknowledgement Form) or sponsorship has been waived in relation to the Qualifying Transaction; and
  - (iv) the advance has been announced in a news release at least 15 days prior to the date of any such advance.
- (b) A maximum of \$25,000 in aggregate may also be advanced as a non-refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without prior Exchange Acceptance.
- (c) Subject to sections 8.5(a) and 10, as well as a public announcement made pursuant to section 12.2, funds raised by a CPC pursuant to a Private Placement conducted after such announcement but before the Completion of the Qualifying Transaction, may be used to provide a secured loan or other deposit to a Vendor or a Target Company, as the case may be, provided that the total amount of any such loan or deposit, together with a loan or advance contemplated by section 8.5(a), does not exceed \$225,000.
- (d) If less than the entire permitted portion of a loan or deposit is advanced, a subsequent loan or deposit up to the balance of the maximum aggregate loan or deposit permitted may be made. Similarly, if a deposit or loan or a part of it is refunded, the refunded amount can be used for a subsequent advance.

## **8.6 Investment of CPC Funds**

Until required for the CPC's purposes, the proceeds may only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or territory of Canada or the Government of the United States, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or credit unions.

## **9. Restrictions on Trading**

- 9.1** Other than the IPO Shares, the Agent's Option and incentive stock options and options granted to Eligible Charitable Organizations, or as otherwise permitted by section 10, no securities of a CPC may be issued or traded during the period between the date of the

receipt for the preliminary CPC Prospectus and the time the common shares begin trading on the Exchange, except with the prior approval of the Exchange and, if applicable, pursuant to exemptions from the registration and prospectus requirements under applicable Securities Laws.

## **10. Private Placements for Cash**

- 10.1** After the closing of the IPO and until the Completion of the Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the Exchange is obtained before the issuance of the securities. See Policy 4.1 - *Private Placements* for filing procedures.
- 10.2** The Exchange will not accept a Private Placement by a CPC where the gross proceeds raised from the issuance of Seed Shares, IPO Shares and any proceeds anticipated to be raised upon closing of the Private Placement exceeds \$5,000,000.
- 10.3** The only securities issuable pursuant to a Private Placement are common shares of the CPC. Units and/or share purchase warrants may not be issued pursuant to a Private Placement undertaken prior to closing of the Qualifying Transaction.
- 10.4** Subject to section 11.7, shares issued pursuant to the Private Placement to Non-Arm's Length Parties to the CPC and Principals of the proposed Resulting Issuer must be escrowed pursuant to Policy 5.4 – *Escrow, Vendor Consideration, and Resale Restrictions*.

## **11. Escrow**

- 11.1** All Escrow Shares must be held in escrow pursuant to the CPC escrow agreement prepared in accordance with Form 2F (the “**CPC Escrow Agreement**”).

### **11.2 Cancellation of Escrow Shares**

- (a) If Non-Arm's Length Parties to the CPC purchased Seed Shares at a discount to the IPO Price, the terms of the CPC Escrow Agreement must irrevocably authorize and direct the escrow agent appointed under the CPC Escrow Agreement, to:
- (i) immediately cancel all such shares upon the issuance of an Exchange Bulletin delisting the CPC from the Exchange; or
  - (ii) where the issuer is moved to NEX, immediately cancel the number of Seed Shares held by Non-Arm's Length Parties as determined by shareholders in respect of the shareholder vote required in s.14.13 of this policy.
- (b) The CPC Escrow Agreement must provide an irrevocable authorization and direction to the escrow agent to cancel all Seed Shares on a date that is 10 years from the date the Exchange issues an Exchange Bulletin delisting the CPC.

### **11.3 Holding Companies**

If securities of a CPC required to be held in escrow are held by a non-individual (a “holding company”), the holding company may not carry out any transactions that would result in a change of control of the holding company without the consent of the Exchange. Any holding company must sign the undertaking to the Exchange, included in Form 2F, that, to the extent reasonably possible, it will not permit or authorize securities to be issued or transferred if it could reasonably result in a change of control of the holding company. In addition, the Exchange requires an undertaking from any control persons of the holding company not to transfer shares of the holding company.

### **11.4 Release from Escrow**

Subject to section 7.5 and subsection 11.2, Escrow Shares will be released from escrow as prescribed by the CPC Escrow Agreement.

### **11.5 Transfers**

Except as specifically provided for in the escrow agreements required by this Policy, transfers of shares escrowed pursuant to this Policy require the prior written consent of the Exchange. The Exchange will generally only permit a transfer of shares held in escrow to incoming Principals in connection with a proposed Qualifying Transaction. Issuers are reminded that any such transfer of securities must be made pursuant to exemptions from the registration and prospectus requirements under applicable Securities Laws.

### **11.6 Escrow of Securities Issued Pursuant to Qualifying Transaction**

- (a) Subject to subsection 11.7, all securities which will be held by Principals of the proposed Resulting Issuer at the date of the Final Exchange Bulletin are required to be escrowed pursuant to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*. All securities issued to Principals of the Resulting Issuer prior to the Completion of the Qualifying Transaction, except pursuant to stock option grants, will be subject to a Value Security Escrow Agreement, including securities which were free trading at the time of the announcement of the proposed Qualifying Transaction pursuant to section 12.2.
- (b) Any securities issued to any other Person in conjunction with or contemporaneous to the Qualifying Transaction may be subject to escrow requirements or Resale Restrictions pursuant to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

### **11.7 Exemption for Certain Private Placement Securities**

The Exchange will generally exempt from escrow, those securities issued to Principals of the CPC and the proposed Resulting Issuer obtained in connection with a Private Placement if:

- (a) the Private Placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the Discounted Market Price; or
- (b) the Private Placement is announced concurrently with the Agreement in Principle in respect of the proposed Qualifying Transaction and:
  - (i) at least 75% of the proceeds from the Private Placement are not from Principals of the CPC or the proposed Resulting Issuer;
  - (ii) if subscribers, other than Principals of the CPC or the proposed Resulting Issuer will obtain securities subject to hold periods, then, in addition to any Resale Restrictions under applicable Securities Laws, any securities issued to such Principals will be required to be subject to a four month hold period and the securities certificates legended accordingly, as referred to in Policy 3.2 – *Filing Requirements and Continuous Disclosure*; and
  - (iii) none of the proceeds from the Private Placement are allocated to pay compensation to or settle indebtedness owing to Principals of the Resulting Issuer.

## **12. Qualifying Transaction**

### **12.1 Initial Listing Requirements**

- (a) Prior to the Exchange issuing the Final Exchange Bulletin, the Resulting Issuer must satisfy the Exchange's Initial Listing Requirements for the particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.1 - *Initial Listing Requirements*.
- (b) References in Policy 2.1 to Approved Expenditures of the Issuer mean, for the purposes of this Policy, prior expenditures of the Target Company or Vendors of the Significant Assets.
- (c) References in Policy 2.1 to Working Capital, Financial Resources or Net Tangible Assets mean, for the purposes of this Policy, the consolidated Working Capital, Financial Resources and Net Tangible Assets of the Resulting Issuer.
- (d) The majority of the directors and senior officers of the Resulting Issuer must be:
  - (i) residents of Canada or the United States; or
  - (ii) individuals who have demonstrated a positive association as directors or officers with public companies that are subject to a regulatory regime comparable to that applicable to companies listed on a Canadian exchange. The Issuer must provide the Exchange with evidence that such regulatory regime is comparable (in terms of registration, regulatory oversight, and filing requirements).

- (e) The Resulting Issuer cannot be a finance company, financial institution, finance issuer, or mutual fund, as defined under applicable Securities Laws, Issuers in doubt as to whether the Resulting Issuer may be a finance company, finance issuer or mutual fund should consult with the Exchange.
- (f) Except where the Resulting Issuer is an Oil & Gas Issuer or a Mining Issuer, when the Qualifying Transaction of a CPC that is a reporting issuer in Ontario involves the acquisition of a Significant Asset not located in Canada or the United States, the Qualifying Transaction must be undertaken using a prospectus as the disclosure document.
- (g) Issuers are reminded that in respect of a Qualifying Transaction, this Policy must be read in conjunction with Policy 5.9.

## **12.2 Announcement of Agreement in Principle Regarding a Proposed Qualifying Transaction**

When an Agreement in Principle is reached, the CPC must immediately prepare and submit to the Exchange for review, a comprehensive news release which must include:

- (a) the date of the agreement;
- (b) a description of the proposed Significant Assets, including:
  - (i) a statement as to the industry sector in which the Resulting Issuer will be involved;
  - (ii) the history and nature of business previously conducted; and
  - (iii) a summary of any available significant financial information respecting the Significant Assets (with an indication as to whether such information is audited or unaudited and the currency of such information);
- (c) a description of the terms of the proposed Qualifying Transaction including the amount of proposed consideration, including an indication of how the consideration is to be satisfied and the amounts to be paid by way of cash, securities, indebtedness or other means;
- (d) identification of the location of the proposed Significant Assets, including, in the event that the Significant Assets are to be acquired by the acquisition of a Target Company, identification of the jurisdiction of incorporation or creation of the Target Company;
- (e) the full names and jurisdictions of residence of each of the Vendors of the Significant Assets and, if any of the Vendors 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 Non-Arm's Length Parties to the CPC in the proposed Significant Assets;
  - (ii) any Non-Arm's Length Parties to the CPC that are otherwise Insiders of any Target Company;
  - (iii) any relationship between or among the Non-Arm's Length Parties to the CPC and the Non-Arm's Length Parties to the Qualifying Transaction;
  - (iv) whether the proposed Qualifying Transaction constitutes a Non-Arm's Length Qualifying Transaction; and
  - (v) whether the Qualifying Transaction will be subject to shareholder approval.
- (g) the names and backgrounds of all Persons who will constitute Insiders of the Resulting Issuer;
- (h) a description of any financing arrangements for or in conjunction with the Qualifying Transaction including the amount, security, terms, use of proceeds and details of the agent's compensation;
- (i) a description of any deposit made as permitted by this Policy and description of any advance or loan to be made, subject to Exchange Acceptance, including the terms of the advance, loan or any proposed Private Placement from which proceeds are to be raised to provide the funds for such advance or loan and the proposed use of the advance or loan;
- (j) an indication of any significant conditions required to be satisfied in connection with the closing of the Qualifying Transaction;
- (k) if a Sponsor has been retained in connection with the proposed Qualifying Transaction as contemplated by Policy 2.2 – *Sponsorship and Sponsorship Requirements*, identification of the Sponsor;
- (l) the following statement:

*“Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, 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 or filing statement to be prepared in connection with the transaction, any information released or received*

*with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.*

*The TSX Venture Exchange Inc. 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 additional statement:

*“[Insert name of Sponsor], subject to completion of satisfactory due diligence, has agreed to act as sponsor 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.”*

- (n) if applicable, any additional disclosure required pursuant to Policy 5.9; and
- (o) all other requirements of Policy 3.3 - *Timely Disclosure*.

The Exchange will co-ordinate with the CPC the timing of the news release in an effort to ensure proper dissemination. Subject to section 2.3(c), trading in the common shares of the CPC will remain halted until the steps referenced in section 2.3(b) of this Policy have been completed.

CPCs are reminded that they will be required to update the news release in respect of any change in Material Information as contemplated by Policy 3.3 – *Timely Disclosure*.

### **12.3 Initial Submission**

The following documents must be filed with the Exchange for review within 75 days after the public announcement of the Agreement in Principle, failing which the trading in the shares of the CPC will be halted until all required documents have been filed:

- (a) a submission letter from the CPC (or, with the consent of the CPC, from the Target Company) giving notice of the proposed Qualifying Transaction and providing:
- (i) a summary of the transaction and identification of any unusual terms;
  - (ii) a list of the documents included in the submission;
  - (iii) identification of particular registration and prospectus exemptions, if any, being relied upon if securities are to be issued as part of the transaction;
  - (iv) indication of whether the proposed Qualifying Transaction is subject to Policy 5.9, and
  - (v) where applicable, identification of any required waivers or exemptive relief applications from Exchange Requirements, and applicable Securities Laws;
- (b) if applicable, the preliminary Sponsor Report accompanied by a confirmation that the Sponsor has reviewed the draft CPC Information Circular or draft CPC Filing



Statement, as the case may be, on a preliminary due diligence basis. (See Policy 2.2 – *Sponsorship and Sponsorship Requirements*);

- (c) draft copies of the CPC Information Circular or a draft copy of the CPC Filing Statement, as applicable, disclosing the terms of the proposed Qualifying Transaction and prepared in accordance with section 13 of this Policy;
- (d) Form 2J Securityholder Information;
- (e) a list of each material contract that the CPC (or any Target Company) has entered into which has not been previously filed with the Exchange;
- (f) a copy of any material contract that the CPC or Target Company has entered into, which has not been previously filed with the Exchange relating to the issuance of securities, Non-Arm's Length Transactions or the assets upon which the Exchange listing will be based;
- (g) a copy of each Geological Report, valuation, appraisal or other technical report required to be filed with the Exchange and a letter of qualifications and independence from the author of each report;
- (h) in the case of any non-resource issuer, a copy of a business plan for the next 24 month period . If the Issuer is an Industrial or Technology Issuer that has not yet generated net income from its business in the amount referred to in Policy 2.1 - *Initial Listing Requirements*, a comprehensive business plan with forecasts and assumptions for the next 24 months;
- (i) details of any other evidence of value as contemplated by Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*; and
- (j) the minimum fee as prescribed by Policy 1.3 – *Schedule of Fees*.

The Exchange will review the initial submission, and, provided that the deficiencies are not of a substantial nature, where shareholder approval is required, the CPC will be permitted to set a meeting date to approve the proposed Qualifying Transaction. Where a Qualifying Transaction has not been sponsored, the Exchange will require additional time to review the initial submission and confirm that appropriate due diligence measures have been undertaken by the CPC and its advisors.

#### **12.4 Pre-Meeting/Pre-Closing Documentation**

When a CPC has cleared all comments raised by the Exchange in connection with the initial submission, the CPC will be required to file the following documents with the Exchange:

- (a) a copy of the final CPC Information Circular or final CPC Filing Statement, including, where applicable, the notice of meeting and the form of proxy to be mailed to shareholders;

- (b) a copy of the final CPC Information Circular or final CPC Filing Statement, black-lined to show changes from the draft CPC Information Circular or draft CPC Filing Statement, as the case may be, referred to at section 12.3(c);
- (c) a copy of any material contract that the CPC or any Target Company has entered into, or other document previously filed with the Exchange in draft form;
- (d) a consent letter from any auditor, engineer, appraiser or other expert (an “**Expert**”) named in the CPC Information Circular or CPC Filing Statement, as having prepared or rendered a report, opinion or valuation (a “**Report**”) on any part of the circular or statement or named as having prepared a Report filed in connection with the CPC Information Circular or CPC Filing Statement, as applicable. The letter must consent to the submission of the Report to the Exchange, and the inclusion or reference in the CPC Information Circular or the CPC Filing Statement of the Expert’s Report and state that the Expert has read the CPC Information Circular or CPC Filing Statement, and has no reason to believe that there is any misrepresentation contained in the CPC Information Circular or CPC Filing Statement, as the case may be, which is derived from his Expert’s Report or which he is otherwise aware and;
  - (i) in the case of the consent of an auditor, the letter shall also state:
    - (A) the date of the financial statements on which the Report of the auditor is made, and
    - (B) that the auditor has no reason to believe that there are any misrepresentations in the information contained in the CPC Information Circular, or CPC Filing Statement, as applicable;
      - (I) derived from the financial statements on which the auditor has reported, or
      - (II) within the knowledge of the auditor as a result of the audit of the financial statements; and
  - (ii) in the case of the consent of:
    - (A) a qualified person, as defined in National Instrument 43-101 – *Standards of Disclosure For Minerals Projects*, the letter shall, in the case of a technical report, also include the consent and certificate required by that instrument; or
    - (B) a qualified evaluator, as defined in proposed National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*, the letter shall also include the form of consent specified by that instrument;

- (e) only where required by the Exchange, a comfort letter from the auditor of the CPC or the Target Company, as applicable, prepared in accordance with the relevant standards in the Handbook, if an unaudited financial statement of the CPC or a Target Company is included in the CPC Information Circular or CPC Filing Statement, as applicable; and
- (f) if a financial statement included in a CPC Information Circular or CPC Filing Statement has been prepared in accordance with foreign GAAP or includes a foreign auditor's report, a letter to the Exchange from the auditor that discusses the auditor's expertise;
  - (i) to audit the reconciliation of foreign GAAP to Canadian GAAP; and
  - (ii) in the case of foreign GAAS, other than U.S. GAAS applied by a U.S. auditor, to make the determination that the auditing standards applied are substantially equivalent to Canadian GAAS;
- (g) subject to satisfactory review of the pre-meeting/pre-closing documentation, where shareholder approval is required, the Exchange will advise the CPC that it is cleared to mail the notice of meeting, CPC Information Circular and form of proxy to shareholders. Where shareholder approval is not required, the Exchange will advise the CPC that it is cleared to file the CPC Filing Statement on SEDAR. At this time, the Exchange will provide its conditional acceptance of the Qualifying Transaction subject to the receipt of the required shareholder approval (if applicable) and any other conditions the Exchange deems appropriate. The Exchange will issue a Bulletin indicating that it has accepted the CPC Filing Statement for filing on SEDAR or the CPC Information Circular for the purposes of mailing and filing on SEDAR, as applicable;
- (h) where shareholder approval is required, concurrently, with the mailing of the notice of meeting, CPC Information Circular and form of proxy to shareholders, the CPC must file these documents with the applicable Commission(s) via SEDAR and with the Exchange; and
- (i) where no shareholder approval is required, the CPC must file the CPC Filing Statement on SEDAR with the Exchange and the applicable Commission(s) at least seven business days prior to the closing of the Qualifying Transaction. Concurrent with such filing, the CPC must issue a news release, which discloses the scheduled closing date for the Qualifying Transaction as well as the fact that the CPC Filing Statement is available on SEDAR.

## **12.5 Post-Meeting/Post-Closing Documentation**

The following documentation is required to be filed with the Exchange within the time period prescribed by the Exchange, following the closing of the Qualifying Transaction, where shareholder approval is not required, and following the shareholders' meeting, where shareholder approval is required. This material must be filed before the Exchange will issue the Final Exchange Bulletin:

- (a) where shareholder approval is required, a certified copy of the Scrutineer's Report confirming:
  - (i) applicable shareholder approval was received for the Qualifying Transaction (for Non-Arm's Length Qualifying Transactions and Qualifying Transactions subject to Policy 5.9, Majority of the Minority Approval must be obtained), and
  - (ii) applicable approval of Shareholders of any other matters in respect of which such approval was required;
- (b) a signed copy of the escrow agreements required under Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*;
- (c) a legal opinion or officers' certificate confirming that, other than final Exchange acceptance, all closing conditions have been satisfied and that the Issuer is in good standing under or not in default of applicable corporate law, and is a reporting issuer in good standing and not in default in each jurisdiction in which it is a reporting issuer;
- (d) if applicable, a final executed copy of the Sponsor Report;
- (e) the balance of the applicable listing fee as prescribed by Policy 1.3 - *Schedule of Fees*; and
- (f) any other documents required to be filed.

## **12.6 Assessment of a Significant Connection to Ontario**

Where a Resulting Issuer, upon Completion of a Qualifying Transaction, is aware that it has a Significant Connection to Ontario, it must immediately notify the Exchange and make application to the Ontario Securities Commission to be deemed a reporting issuer pursuant to section 18.2 of Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

## **13. Information Circular and Filing Statement**

**13.1** The CPC Information Circular submitted to the Exchange and mailed to shareholders in connection with a proposed Qualifying Transaction must be prepared in accordance with Form 3B1 and the provisions of this Policy and prepared and mailed in accordance with applicable corporate law and Securities Law requirements. If applicable, CPCs are

reminded of the additional disclosure requirements under Policy 5.9 mandated for Related Party Transactions.

Where applicable, the CPC Filing Statement submitted to the Exchange in connection with a proposed Qualifying Transaction must be prepared in accordance with Form 3B2 and the provisions of this Policy.

### **13.2 Financial Statements**

The financial statements that are to be included in the CPC Information Circular or CPC Filing Statement must comply with the requirements of the Exchange Form of Information Circular for a Qualifying Transaction (Form 3B1), or the Exchange Form of Filing Statement for a Qualifying Transaction (Form 3B2), as applicable.

### **13.3 Generally Accepted Accounting Principles**

- (a) The financial statements of an issuer incorporated or organized in a Canadian jurisdiction that are included in the CPC Information Circular or CPC Filing Statement shall be prepared in accordance with Canadian GAAP.
- (b) The financial statements of an issuer incorporated or organized in a foreign jurisdiction that are included in the CPC Information Circular or CPC Filing Statement shall be prepared in accordance with
  - (i) Canadian GAAP; or
  - (ii) foreign GAAP, if the notes to the financial statements
    - (A) explain and quantify the effect of material differences between Canadian GAAP and foreign GAAP that relate to measurements, and
    - (B) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements.

### **13.4 Exception to the Requirement to Reconcile Financial Statements Prepared in Accordance with Foreign GAAP.**

Despite subsection 13.3(b)(ii), if an issuer has made a significant acquisition or is proposing to make a significant acquisition, and is required to provide financial statements of the business in accordance with the CPC Information Circular or CPC Filing Statement and those financial statements have been prepared in accordance with a foreign GAAP, the reconciliation to Canadian GAAP may be excluded for the earliest of the three years presented.

### **13.5 Generally Accepted Auditing Standards**

- (a) Financial statements of an issuer incorporated or organized in a Canadian jurisdiction that are included in a CPC Information Circular or a CPC Filing

Statement shall be audited in accordance with Canadian GAAS and accompanied by a Canadian auditor's report.

- (b) The financial statements of an issuer incorporated or organized in a foreign jurisdiction that are included in a CPC Information Circular or a CPC Filing Statement shall be audited in accordance with
  - (i) Canadian GAAS; or
  - (ii) foreign GAAS provided the foreign GAAS is substantially equivalent to Canadian GAAS.

### **13.6 Foreign Auditor's Report**

If the financial statements included in a CPC Information Circular or a CPC Filing Statement are accompanied by a foreign auditor's report, the auditor's report shall be accompanied by a statement by the auditor

- (a) disclosing any material differences in the form and content of the foreign auditor's report as compared to a Canadian auditor's report; and
- (b) confirming that the auditing standards applied are substantially equivalent to Canadian GAAS.

### **13.7 Review of Financial Statements Included in a CPC Information Circular or CPC Filing Statement**

- (a) An issuer shall not file a CPC Information Circular or a CPC Filing Statement unless each financial statement of an issuer included in that CPC Information Circular or CPC Filing Statement, as the case may be, has been reviewed by the audit committee of the board of directors of the issuer, if the issuer has, or is required to have, an audit committee, and approved by the board of directors.
- (b) If the financial statements included in a CPC Information Circular or a CPC Filing Statement, are those of a private issuer, the Exchange would not expect such an issuer to have an audit committee, but the Exchange will require that the board of directors of that issuer review and approve such financial statements prior to the filing of that CPC Information Circular or CPC Filing Statement, as the case may be.

### **13.8 Amendments to CPC Information Circular or CPC Filing Statement**

In the event that there is a change in the material information included:

- (a) in a CPC Information Circular between:
  - (i) the date of mailing of the notice of meeting, the CPC Information Circular and form of proxy to shareholders, as contemplated by section 12.4, and

- (ii) the date of the meeting of shareholders of the CPC, or
- (b) in a CPC Filing Statement between:
  - (i) the date that the CPC Filing Statement is filed on SEDAR, and
  - (ii) the date of the closing of the Qualifying Transaction.

the CPC shall promptly:

- (c) seek advice of legal counsel in respect of the treatment of such change;
- (d) provide written notice to the Exchange describing the change in the material information so as to enable the Exchange to determine the applicable treatment of that change; and
- (e) in the case of a CPC Filing Statement:
  - (i) file the amendment to, or the amended CPC Filing Statement on SEDAR,
  - (ii) issue a news release disclosing the fact that the amendment to, or the amended CPC Filing Statement is available on SEDAR, and
  - (iii) where the amendment reflected in the amendment to, or amended CPC Filing Statement is material, make available that CPC Filing Statement on SEDAR, at least seven business days prior to the scheduled closing date of the Qualifying Transaction.

### **13.9 Exchange Treatment of Amendments to a CPC Information Circular or CPC Filing Statement**

After receiving the notice pursuant to section 13.8(d) and any other materials that it may require, the Exchange will advise the CPC as to the conditions that will be required to be satisfied in respect of the treatment of any change in material information included in the CPC Information Circular or CPC Filing Statement, as the case may be.

## **14. Other Requirements**

### **14.1 Exchange Review of Qualifying Transactions**

As part of the review of the proposed Qualifying Transaction, the Exchange will review the expenses, disclosure, trading history and other transactions undertaken by the CPC during its listing to determine compliance with Exchange Requirements. The Exchange may refuse to accept the Qualifying Transaction if significant concerns arise from its review, which need not be limited to concerns with the items specifically listed above.

## 14.2 Share Price

- (a) Generally, where payment of consideration by a CPC for Significant Assets includes the issuance of securities, the Exchange requires that the price per Listed Share to be issued is at least the Discounted Market Price. The total consideration is determined based on the number of securities issued multiplied by the price per share. However, where the proposed Qualifying Transaction is announced following the closing of the IPO but before listing of the shares for trading on the Exchange, the value of the shares to be issued will be based on either:
  - (i) the average closing price of the common shares in each of the first five trading days, less permissible discounts, provided such price is not less than the IPO share price; or
  - (ii) on a predetermined value which must not be less than \$0.20 per share.
- (b) The Exchange will require the exercise price of any stock options granted in connection with a Qualifying Transaction to be the greater of the price per Listed Share of the securities issued on the Qualifying Transaction, the price of any concurrent financing and the Discounted Market Price at the time of announcement of the grant of options.
- (c) The determination of price per share in this section is likely different than the determination of price for the purposes of the Pro forma financial statements.

## 14.3 Inactivity or Failure to Respond to Exchange

- (a) If
  - (i) the CPC Information Circular has not been mailed to shareholders, or
  - (ii) the CPC Filing Statement has not been filed on SEDAR pursuant to section 12.4(i),  
  
within 75 days after the initial submission to the Exchange of documents required under subsection 12.3 and, in the opinion of the Exchange, the delay is due to the inaction of the CPC, the Vendors or any Target Company, the Exchange may
  - (iii) close its file as “not proceeded with” and require the CPC to issue a news release with respect to the status of the proposed Qualifying Transaction; or
  - (iv) require that an updated CPC Information Circular or CPC Filing Statement, as applicable, containing updated material facts and updated financial statements, Geological Reports, valuations or other reports be filed.
- (b) If the post-meeting/final documents required under subsection 12.5 have not been submitted to the Exchange within the time prescribed by the Exchange following



the closing of the Qualifying Transaction or the shareholders' meeting, as applicable, the Exchange may

- (i) require the CPC or the Resulting Issuer to issue a news release explaining the delay; and/or
  - (ii) halt or suspend trading in the Listed Shares of the CPC for failure to complete a Qualifying Transaction, pending filing of the post-meeting documents.
- (c) Inactivity may be evidenced by the failure to make reasonable and timely efforts to provide acceptable responses to the comments of the Exchange.

#### **14.4 Multiple Filings**

The Exchange will generally not grant conditional acceptance for listing of a CPC where any director or officer of a CPC is associated with more than one other CPC, JCP or VCP that has not yet completed a Qualifying Transaction.

#### **14.5 Consulting Fees**

The Exchange may seek the opinion of an independent engineer, appraiser or other expert in determining the reasonableness of a technical report, Geological Report, business valuation or other Expert Report filed with the Exchange. In such circumstances, the Exchange will require the CPC or any Resulting Issuer to pay for the Exchange's costs.

#### **14.6 Trading Halts, Suspension and Delisting**

- (a) The Exchange may suspend from trading or delist the Listed Shares of a CPC where the Exchange has not issued a Final Exchange Bulletin to the CPC within 24 months after the date of listing.

In the case of a Combination (referred to at section 15.1(a)) effected in accordance with section 15.3, the Exchange may suspend from trading or delist the Listed Shares of the combined CPC where the Exchange has not issued a Final Exchange Bulletin to the combined CPC within 12 months of the closing date of the Combination.

- (b) The Exchange will halt trading in the Listed Shares of a CPC from the date of announcement of an Agreement in Principle regarding a Qualifying Transaction until all steps referenced in section 2.3(b) have been completed.
- (c) A trading halt may be imposed where the Issuer has not filed the supporting documents required by section 12.3 of this Policy within 75 days after the date of the announcement of the Agreement in Principle. Such halt will remain in effect until either the Exchange receives and reviews the documentation required under this Policy and the CPC Filing Statement has been filed on SEDAR or the CPC Information Circular has been mailed to the shareholders, as applicable, or the CPC

issues a news release disclosing that the proposed Qualifying Transaction is not proceeding.

- (d) As indicated in section 14.3, a trading halt or suspension may also be required when post-meeting/final documentation is not submitted within the prescribed time.
- (e) If a CPC determines or becomes aware that a proposed Qualifying Transaction will not be proceeding as previously announced, or at all, the CPC must immediately issue a news release in that regard.
- (f) If the CPC or the Sponsor, where applicable, terminates the sponsorship of the proposed Qualifying Transaction, the parties must immediately issue a news release advising of the termination. Trading in the Listed Shares of the CPC will be halted and the halt will remain in effect until a new Sponsor has provided the Exchange with a Sponsorship Acknowledgement Form and a pre-filing conference has been completed.

See Policy 2.9 - *Trading Halts, Suspensions and Delisting*.

#### **14.7 Refusal of Qualifying Transaction**

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction; the Exchange may not approve a Qualifying Transaction if the CPC fails to meet the Initial Listing Requirements upon the completion of the Qualifying Transaction or for any other reason at the sole discretion of the Exchange.

#### **14.8 Pro Group**

All subscriptions by any member of the Aggregate Pro Group are subject to the applicable client priority rules.

- (a) Any Seed Shares subscribed to by any member of the Aggregate Pro Group must be held in escrow pursuant to the CPC Escrow Agreement.
- (b) Until Completion of the Qualifying Transaction, the aggregate number of common shares owned directly or indirectly by the Pro Group, or its contractors or Associates or affiliates above, cannot exceed 20% of the total outstanding Listed Shares of the CPC, excluding securities reserved for issuance at a future date.
- (c) The Exchange will require that any securities issued to the Pro Group, in connection with or in contemplation of the Qualifying Transaction will be required to be subject to a four month Exchange hold period and the securities certificate(s) legended accordingly, as prescribed pursuant to Policy 3.2 - *Filing Requirements and Continuous Disclosure*.

## **14.9 Reverse Takeover**

The Exchange will not generally permit a Resulting Issuer to conduct a Reverse Takeover for a period of one-year following Completion of the Qualifying Transaction.

## **14.10 Compliance with Securities Law**

Participants in the CPC program are reminded that, in addition to complying with the provisions of this Policy, they must also continue to comply with relevant Securities Laws. In particular;

- (a) Participants in the CPC program are reminded of their obligation to comply with the applicable General Prospectus Rules.
- (b) Management of the CPC and the Resulting Issuer are reminded of their obligations to comply, to the extent applicable, with National Instrument 51-102 - *Continuous Disclosure Obligations*, including the provisions relating to change of auditors and changes in year-end, future oriented financial information and forward-looking information.

## **14.11 Effect of Exchange Acceptance**

Neither review of any proposed Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular, or any CPC Filing Statement, or the issuance of a Final Exchange Bulletin should be construed as assurance that the CPC or any Resulting Issuer is in compliance with applicable Securities Laws, including use of any Prospectus or registration exemption or the adequacy of disclosure in any take-over bid circular, offering memorandum or other disclosure document. Similarly, neither review of any proposed Qualifying Transaction and supporting documents, acceptance of any CPC Information Circular, or any CPC Filing Statement, or the issuance of a Final Exchange Bulletin should be construed as an assurance as to the merits of the Qualifying Transaction or an investment in the securities of any issuer.

## **14.12 Undertakings**

If there is a change in the directors and/or officers of a CPC or a combined CPC, prior to Completion of the Qualifying Transaction, each new director and officer of the CPC or combined CPC shall promptly provide the written undertaking pursuant to section 3.3(a)(ii) or section 15.3(f), as applicable.

## **14.13 Transfer of CPC to NEX**

If a CPC has not completed a QT within the time frame prescribed by this policy, it may apply for listing on NEX rather than be delisted. In order to be eligible to list on NEX the CPC must:

- (a) obtain majority shareholder approval for the transfer to NEX exclusive of the votes of Non Arms Length Parties of the CPC; and
- (b) either

- (i) cancel all Seed Shares purchased by Non Arms Length Parties to the CPC at a discount to the IPO price, in accordance with section 11.2(a) of this policy, as if the CPC had delisted from the Exchange, or
- (ii) subject to majority shareholder approval, cancel an amount of the Seed Shares purchased by Non-Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

**14.14** CPCs listing on NEX must continue to comply with the all of the requirements and restrictions in TSX Venture Policy 2.4 - *Capital Pool Companies*.

## **15. CPC Combinations**

### **15.1 CPC Combinations**

In order to facilitate certain CPCs in their identification and Completion of a Qualifying Transaction, the Exchange will permit:

- (a) the combination of certain CPCs (a “**Combination**”); and
- (b) a transaction between a CPC and an existing public company (a “**Public Company Transaction**”);

in connection with the Completion of a Qualifying Transaction.

### **15.2 Eligibility**

The provisions granting CPCs the ability to undertake a Combination or Public Company Transaction are measures intended to assist CPCs that are having difficulty finding and completing a Qualifying Transaction. CPCs must have conducted a pre-filing conference with the Exchange in order to be eligible to undertake a Combination or Public Company Transaction.

### **15.3 Combination of a Number of CPCs and Completion of an Acceptable Qualifying Transaction**

A CPC may undertake a Combination with one or more other CPCs in order to complete a Qualifying Transaction subject to the following conditions:

- (a) the share exchange ratio among the CPCs must be based on the cash value of the CPCs on a pre-transaction basis;
- (b) the aggregate number of common shares owned directly or indirectly by the Pro Group upon completion of the Combination and the Qualifying Transaction, cannot exceed 20% of the outstanding shares of the Resulting Issuer;
- (c) the funds available to the combined CPC after closing of the Combination transaction cannot exceed \$5,000,000;

- (d) the CPC must comply with all the applicable provisions of this Policy including:
  - (i) in the case of sponsored transaction, the Sponsor must comment in the Sponsor report on the reasonableness of any share exchange ratios and escrow restrictions; and
  - (ii) release of Escrow Shares of the CPC will commence upon issuance of the Final Exchange Bulletin. Transfers within escrow from a CPC's Insiders to new Insiders may be acceptable to the Exchange. The provisions relating to the cancellation of escrowed shares pursuant to section 11.2 continue to apply in the event of a combination of CPCs.
- (e) the CPC must include a provision in any information circular, takeover bid circular or other disclosure document required to effect the Combination which indicates that in the event that the Listed Shares of the combined CPC are delisted by the Exchange, then within 90 days of the date of such delisting the combined CPC will, in accordance with applicable law, wind-up and liquidate its assets, and distribute its remaining assets on a pro rata basis to its shareholders unless, within that 90 day period, shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the combined CPC, approve another use of the remaining assets;
- (f) prior to the approval by the Exchange, each CPC subject to the Combination must provide a written undertaking from that CPC and each of its directors and officers, and proposed directors and officers of the combined CPC addressed to the Exchange and the Commissions, confirming that:
  - (i) they will comply in all respects with the restrictions contained in Part 8 of this Policy in connection with the expenditure of funds raised prior to Completion of the Qualifying Transaction;
  - (ii) in the event that the Exchange delists the Listed Shares of the combined CPC, then within 90 days from the date of such delisting, they will, in accordance with applicable law, wind-up and liquidate the combined CPC's assets, and distribute its remaining assets, on a pro rata basis, to its shareholders unless, within that 90 day period, the shareholders, pursuant to a majority vote, exclusive of the votes of Non-Arm's Length Parties to the combined CPC, approve another use of the remaining assets or approve listing the Issuer on NEX;
  - (iii) they will provide written confirmation to the Commissions no later than 90 days from the date of delisting that they have complied with the undertakings at (i) and (ii) above; and
- (g) the combined CPC will have a period of 12 months from the date of closing of the Combination to effect the Completion of a Qualifying Transaction.

## 15.4 Combination of a CPC with an Existing Public Company

An existing public company may be permitted to combine with a CPC as a Public Company Transaction subject to the following conditions:

- (a) the release of the Escrow Shares of the CPC will commence upon issuance of the Final Exchange Bulletin. A transfer within escrow from Insiders of the CPC to existing public company directors, as part of the Public Company Transaction, may be acceptable to the Exchange;
- (b) the share exchange ratio between the CPC and the existing public company must be based on the cash value of the CPC on a pre-transaction basis;
- (c) sponsorship for the transaction will not be required, unless the transaction is part of further transaction where sponsorship requirements would otherwise apply (i.e. COB, RTO and Change of Control);
- (d) the aggregate number of common shares owned directly or indirectly by a Sponsor and its employees upon completion of the transaction must not exceed 20% of the outstanding shares of the Resulting Issuer; and
- (e) shareholder approval requirements applicable to a Non-Arm's Length Qualifying Transaction, as set forth at section 2.3(g), will apply to the transaction, unless the public company, in compliance with applicable take over bid requirements, acquires at least 90% of the outstanding common shares of the CPC.

## 15.5 Approval of Securities Regulators

- (a) Junior Capital Pools (“JCPs”) (as opposed to CPCs and Venture Capital Pools (“VCPs”)), are reminded that any waiver of a provision of ASC Rule 46-501 - *Junior Capital Pool Offerings*, requires ASC approval. JCPs are further reminded that the consent of the ASC may also be required in respect of a transfer within escrow.
  - (b) Issuers are reminded that if, in the context of a combination transaction, there is a proposed transfer of a control block, exemptive relief from applicable securities regulatory authorities may be necessary. In the event that one of the Issuers has been cease traded, an application to the applicable securities regulatory authority for reactivation may also be necessary.
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