

POLICY 4.6

PUBLIC OFFERING BY SHORT FORM OFFERING DOCUMENT

Scope of Policy

This Policy outlines the requirements for Issuers proposing to distribute securities pursuant to a Short Form Offering Document (“**Short Form**”). A Short Form is not a Prospectus, but an Exchange document that allows certain Issuers to undertake a public offering of securities without preparing a Prospectus in the jurisdictions (“**Participating Jurisdictions**”) that have adopted the applicable exemption in Part 5 of National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”).

The main headings in this Policy are:

1. Definitions
2. Use of the Short Form
3. Use of Proceeds
4. Process
5. Short Form Filing Requirements
6. Pricing and Offering Period
7. Delivery Requirements and Subsequent Material Changes
8. Contractual Rights of Action and Rights of Withdrawal
9. Agent or Underwriter Requirements
10. Agent or Underwriter Compensation
11. Final Filing Requirements
12. Audit

1. Definitions

1.1 In this Policy:

“**AIF**” has the meaning ascribed to that term in NI 45-106.

“**Designated Hold Purchaser**” means a purchaser that is an Insider or Promoter of the Issuer, the Issuer’s Agent or Underwriter or a member of the Agent or Underwriter’s professional group (as defined in National Instrument 33-105 – *Underwriting Conflicts*).

“**Gross Proceeds**” means the gross proceeds that are required to be paid to the Issuer for Listed Shares distributed under a Short Form.

“**Insider**” has the meaning ascribed to that term under applicable Securities Laws.

“**Prior Short Form Offering**” means a distribution of securities of an Issuer under a Short Form that was completed during the 12 month period immediately preceding the date of the Short Form.

“**Promoter**” has the meaning ascribed to that term under applicable Securities Laws.

“**Subsequently Triggered Report**” means a Material Change report required to be filed no later than 10 days after a Material Change under applicable Securities Laws as a result of a Material Change that occurs after the date the Short Form is certified but before the purchaser enters into an agreement of purchase and sale.

2. Use of the Short Form

2.1 General

- (a) The Short Form is a brief disclosure document which incorporates by reference the documents referred to in NI 45-106 including the Issuer’s current AIF, the most recent audited annual financial statements and all quarterly interim financial statements, news releases disclosing Material Changes, Material Change reports, and technical reports and consents required under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, that were filed on or after the date of the AIF, but before or on the date of the Short Form.

This existing current disclosure is not restated in the Short Form, but is incorporated by reference and must be available to investors on a publicly accessible database such as the SEDAR web site, the Issuer’s web site or the Exchange web site. The form to be used is Form 4H – *Short Form Offering Document*.

- (b) Issuers that have filed a current AIF are eligible to use the Short Form under the conditions outlined below provided they are in compliance with applicable Securities Laws. Issuers that have connecting factors in non Participating Jurisdictions may be restricted in their use of the Short Form, and should consult the applicable Securities Laws to determine if such restrictions exist. Issuers cannot use the Short Form to qualify previously issued securities for sale.

2.2 Conditions to Use of Short Form

The offering must comply with the following:

- (a) the Issuer must comply with NI 45-106 and incorporate by reference all documents referred to in NI 45-106;
- (b) the Distribution must be of a class of Listed Shares, and may include Warrants exercisable into Listed Shares but may not be a distribution exclusively of Warrants;
- (c) the number of Listed Shares that may be issued on exercise of the Warrants must not exceed the total number of shares that are issued pursuant to the Distribution under the Short Form;
- (d) the Gross Proceeds under the Short Form, when added to the Gross Proceeds from offerings under a Short Form completed during the twelve month period immediately preceding the date of the Short Form, do not exceed \$2,000,000;
- (e) the sum of the Listed Shares issued under the Short Form, and the Listed Shares of the same class issued under Prior Short Form Offerings, exceeds neither the number of Listed Shares of the same class outstanding:
 - (i) immediately before the Issuer distributes securities of the same class under a Short Form; nor
 - (ii) immediately before a Prior Short Form Offering;
- (f) no purchaser acquires more than 20% of the securities distributed under the offering;
- (g) all securities purchased by a Designated Hold Purchaser will be subject to a four month hold period;
- (h) a purchaser who acquires more than \$40,000 will be subject to a four month hold period on the portion of those securities acquired which are in excess of \$40,000; and
- (i) no more than 50% of the securities distributed pursuant to the offering are subject to the four month hold period imposed pursuant to sections 2.2(g) and (h).

3. Use of Proceeds

3.1 The proceeds of the offering cannot be used for transactions which have not:

- (a) received Exchange acceptance; and

(b) been publicly disclosed via a comprehensive news release or disclosure document required by the Exchange.

3.2 If the proceeds will be used for work on a specific property, then the most recent Geological Report or valuation filed with the Exchange or the applicable Securities Commissions relating to that property must be available to the public, either through the SEDAR web site, the Exchange's web site or the Issuer's web site. If no Geological Report has been filed with the Exchange or the applicable Securities Commissions for the property, the Exchange can require one to be filed before it will accept the Short Form. Issuers should consult Part 4.2 of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* or Part 2 of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* to determine whether a technical report is required under Securities Laws.

3.3 If the proceeds of the offering are to be used for purposes other than Working Capital, then the minimum offering must be adequate for the stated purpose.

4. Process

The filing and acceptance process for a Short Form involves the following steps:

Step 1: The Company and/or its filing solicitor prepare the Short Form, ensuring all continuous disclosure material is up to date, and incorporated by reference.

Step 2: The Company's Agent or Underwriter reviews the document and material incorporated by reference, and conducts sufficient due diligence to sign the certificate page of the Short Form.

Step 3: The Company issues a news release announcing the financing by Short Form and disclosing the amount of funds to be raised, the price per share, the use of proceeds and the name of the Agent or Underwriter.

Step 4: The Company submits the Short Form to the Exchange for review within two days from the date of the news release.

Step 5: The Exchange reviews the Short Form and if there are no significant deficiencies, accepts it within five business days and publishes an Exchange Bulletin indicating the acceptance of the financing.

Step 6: The Agent or Underwriter has 60 days from Exchange acceptance to market and sell the offering.

Step 7: Following the closing of the offering, the Agent or Underwriter must file a list of purchasers with the Exchange, indicating how many securities each purchaser has purchased, and which purchasers have taken securities subject to a hold period.

5. Short Form Filing Requirements

Within two business days after the news release, the Issuer must file the following with the Exchange:

- (a) a copy of the Short Form, signed by the Issuer's officers, directors, Promoters and by the Agent or Underwriter;
- (b) a copy of the agency or underwriting agreement; and
- (c) the minimum applicable fee as prescribed in Policy 1.3 – *Schedule of Fees*.

6. Pricing and Offering Period

6.1 The price for the securities offered cannot be less than the Discounted Market Price of the Issuer's Listed Shares at the time the news release disclosing the Short Form offering is disseminated.

6.2 The exercise price of Warrants issued pursuant to a Short Form must not be less than the greatest of:

- (a) the offering price of the securities offered for sale under the Short Form;
- (b) Market Price of the Issuer's Listed Shares at the time the news release disclosing the Short Form offering is disseminated; and
- (c) \$0.05.

6.3 The Issuer must file the Short Form with the Exchange by the second business day after the date of the news release to ensure the offering price will be accepted. However, if the Issuer announces a Material Change during the offering period and the Exchange considers that the Issuer was likely aware of that pending Material Change when the offering price was set, the Exchange can require the offering to be re-priced to reflect the Material Change.

6.4 The Issuer and its Agent or Underwriter can market and sell the securities offered under the Short Form for 60 days after the date that the Exchange accepts the Short Form.

7. Delivery Requirements and Subsequent Material Changes

7.1 The Short Form, and any Subsequently Triggered Report filed by the Issuer after the date of the Short Form, must be delivered to a purchaser by the Issuer or the Agent or Underwriter:

- (a) before the Issuer or its Agent or Underwriter enters into the written confirmation of the purchase and sale resulting from an order or subscription for securities being distributed under the offering; or

(b) not later than midnight on the second business day after the agreement of purchase and sale is entered into.

7.2 If a Material Change occurs after the Exchange has accepted the Short Form and before the completion of the offering, the Issuer and the Agent or Underwriter must cease distribution until a news release is disseminated and filed with the Exchange.

7.3 Any Subsequently Triggered Report to be delivered to a purchaser under section 7.1 is deemed to be incorporated by reference into the Short Form.

8. Contractual Rights of Action and Rights of Withdrawal

The Issuer must grant a contractual right of action and right of withdrawal to the purchasers. The exact wording is in the form of Short Form set out in Form 4H – *Short Form Offering Document*.

9. Agent or Underwriter Requirements

9.1 The Agent or Underwriter who signs the Short Form certificate must meet the criteria to act as a Sponsor pursuant to Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

9.2 An Agent or Underwriter signing the Short Form certificate must comply with the due diligence requirements in Appendix 4A – *Due Diligence Report* in relation to the Short Form.

9.3 An Underwriter selling the offering in British Columbia is reminded that it must be registered as an underwriter under British Columbia Securities Laws.

10. Agent or Underwriter Compensation

See Policy 5.1 – *Loans, Loan Bonuses, Finder's Fees and Commissions* for the maximum compensation that may be paid.

10.1 Commission

The Agent or Underwriter is free to negotiate its selling commission with the Issuer.

10.2 Agent's Option

The Agent or Underwriter may be granted a non-transferable Agent's Option entitling it to subscribe for securities offered for sale under the Short Form. The Agent's Option must have an exercise price that is not less than the greater of:

- (a) the offering price of the securities offered for sale under the Short Form; and
- (b) \$0.05.

Any Warrants underlying the units comprised in the Agent's Option will be exercisable at the same price as the Warrants underlying the units offered to the public.

The Agent's Option must expire if not exercised within five years from the date of issue.

Agent's Options are not included in the calculation of the yearly limits in section 2.2.

10.3 Selling Group Compensation

The Agent or Underwriter may offer part of the commissions or Agent's Option from an offering to other licensed broker dealers and investment dealers who participate in a selling group.

11. Final Filing Requirements

11.1 Issuers are reminded that the Short Form must be filed via SEDAR with the applicable Securities Commission in accordance with applicable Securities Laws.

11.2 After the offering has been closed, the Agent or Underwriter must file a list of purchasers with the Exchange, indicating how many securities each purchaser has purchased and which purchasers have taken securities subject to a hold period.

11.3 The Issuer must file a report on the distribution and the applicable fees, with the applicable Securities Commissions.

12. Audit

Although the Exchange does not conduct a full review of the Short Form and material incorporated by reference to ensure that the documents provide adequate disclosure and comply with applicable policies, the Exchange will audit certain Short Forms after the distributions are completed. If the audit reveals significant problems with an Issuer's filing, the Exchange can prohibit that Issuer from using a Short Form for future offerings.
