

POLICY 5.2

CHANGES OF BUSINESS AND REVERSE TAKEOVERS

Scope of Policy

This Policy applies to any transaction or series of transactions entered into by an Issuer or a NEX Company that will result in a Change of Business (“**COB**”) or Reverse Takeover (“**RTO**”). Certain Reactivations may also be subject to some or all of the provisions of this Policy. Issuers are reminded that this Policy must be read in conjunction with National Instrument 51-102 - *Continuous Disclosure Obligations*, in respect of reverse takeovers as defined in that Instrument. It must also be read in conjunction with Policy 5.9 - *Protection of Minority Security Holders in Special Transactions*.

This Policy describes the filing and related procedures to be followed in connection with a COB or RTO. Transactions filed in furtherance of a COB or RTO must also be in compliance with any other relevant policies in the Manual (including Policy 4.1 - *Private Placements*).

The purpose of this Policy is to enable Issuers and NEX Companies to efficiently complete a COB or RTO, while protecting the interests of the affected Shareholders and preserving the integrity of the market.

The main headings in this Policy are:

1. Interpretation
2. Public Disclosure and Trading Halt
3. Sponsorship
4. Shareholder Approval
5. Bridge Financing to the Issuer
6. Deposits and Loans to Target Companies
7. Procedural Steps
8. Application of Initial Listing Requirements
9. Vendor Consideration and Escrow
10. Treasury Orders and Resale Restrictions
11. Financial Statements
12. Other Requirements

1. Interpretation

1.1 Definitions

In this Policy:

“**Bridge Financing**” has the meaning ascribed to that phrase in section 5.1.

“**Change of Business**” or “**COB**” means a transaction or series of transactions which will redirect an Issuer’s resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the Issuer’s market value, assets or operations, or which becomes the principal enterprise of the Issuer. See section 1.2 for guidance on the general application of this definition.

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

- (a) the Target Assets and/or Target Company;
- (b) the parties to the COB or RTO;
- (c) the value of the Target 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 COB or RTO.

“**Completion Date**” means the date of the Final Exchange Bulletin.

“**Concurrent Financing**” has the meaning ascribed to that phrase in section 5.2.

“**Conditional Acceptance**” has the meaning ascribed to that phrase in section 7.5.

“**Conditional Acceptance Documents**” has the meaning ascribed to that phrase in section 7.6.

“**Corporate Opinion**” has the meaning ascribed to that phrase in section 7.2(k).

“**Disclosure Document**” means the document describing the transaction required to be filed with the Exchange pursuant to this Policy. The Disclosure Document will be either the Information Circular (Form 3D1) to be filed when Shareholder approval for the transaction is sought at a meeting of Shareholders or the Filing Statement (Form 3D2) to be filed when Shareholder approval for the transaction is sought by written consent or is not required.

“**Final Documents**” has the meaning ascribed to that phrase in section 7.10.

“**Final Exchange Bulletin**” means the bulletin issued by the Exchange following closing of the COB or RTO and the submission of all Final Documents which evidences the final Exchange acceptance of the COB or RTO.

“**Initial Documents**” has the meaning ascribed to that phrase in section 7.1.

“Non-Arm’s Length Parties to the COB or RTO” means the Vendors, any Non-Arm’s Length Parties of the Vendors, the Target Company, and any Non-Arm’s Length Parties of the Target Company.

“Pooling Arrangement” has the meaning ascribed to that phrase in section 2.5(c).

“Reporting Issuer Opinion” has the meaning ascribed to that phrase in section 7.2(l).

“Resulting Issuer” means the Issuer existing on the Completion Date.

“Reverse Takeover” or **“RTO”** means a transaction or series of transactions, involving an acquisition by the Issuer or of the Issuer, and a securities issuance by the Issuer that results in:

- (a) new Shareholders holding more than 50% of the outstanding voting securities of the Issuer; and
- (b) a Change of Control of the Issuer, and the Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b) above.

“Target Assets” means the assets, business, property or interest therein being purchased, optioned or otherwise acquired in connection with the COB or RTO.

“Target Company” means a Company to be acquired in connection with the COB or RTO.

“Title Opinion” has the meaning ascribed to that phrase in section 7.2(j).

“Vendor” or **“Vendors”** means the beneficial owner(s) of the Target Assets and/or Target Company.

1.2 Application of the Change of Business and Reverse Takeover Definitions

- (a) Generally the definition of a COB is not intended to apply to situations involving an Issuer acquiring or moving into a business that represents a vertical or horizontal business integration or where a resource Issuer is continuing in a different resource-based business, and in particular, is not intended to include either a change from a mining issuer to an oil and gas issuer or a change from an oil and gas issuer to a mining issuer. Issuers are encouraged to contact the Exchange for a pre-filing conference to ascertain whether such a transaction will be deemed to be a COB.

- (b) In certain circumstances, a transaction or series of transactions involving significant acquisitions, financings and/or management changes may alter the character of an Issuer to the extent that the Exchange will apply the standards applicable to a COB or RTO, notwithstanding that such transactions do not technically meet the criteria of a COB or RTO. Issuers undertaking a combination of such transactions should consult with the Exchange in advance to determine if the requirements applicable to a COB or RTO will be imposed on the Issuer in connection with such transactions.

1.3 Transactions Forming Part of a COB/RTO

Where an Issuer has undertaken a series of transactions that taken together meet the definition of COB or RTO, the Exchange may require that escrow or restrictions on resale or voting be placed on securities issued pursuant to those transactions. These restrictions may be required in situations where the transactions have been previously filed and accepted without such restrictions. In addition, when a series of transactions is deemed to constitute a COB or RTO, the Exchange may require that:

- (a) Shareholder approval be sought for any prospective transaction forming a part of the COB or RTO; and
- (b) voting be restricted in respect of such Shareholder approval.

1.4 Related Transactions

Where an Issuer undertakes a transaction (such as a Private Placement, a shares for debt transaction, an acquisition or a name change) that will form part of a COB or RTO, it must disclose the COB or RTO information in its Exchange filing application and in the news release relating to that transaction.

2. Public Disclosure and Trading Halt

2.1 Pre-Filing Conference

The Exchange recommends that the Issuer conduct a pre-filing conference with the Exchange, particularly where the proposed COB or RTO may involve unique or unusual circumstances. See *Policy 2.7 – Pre-Filing Conferences*.

2.2 Initial Trading Halt

The Issuer must notify the Exchange and the Regulation Services Provider as soon as it has reached a COB Agreement or RTO Agreement, and the securities of the Issuer will immediately be subject to a trading halt. Subject to section 2.6, trading in the Listed Shares of the Issuer will remain halted until the conditions in section 2.5 have been satisfied.

2.3 Initial News Release

When a COB Agreement or an RTO Agreement is reached, the Issuer 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 COB Agreement or RTO Agreement;
- (b) a description of the Target Assets and/or Target Company, including:
 - (i) the industry sector in which the Resulting Issuer will be involved upon the Completion Date;
 - (ii) the history of the Target Assets and/or the history and nature of business previously conducted by the Target Company; and
 - (iii) a summary of any available significant financial information respecting the Target Assets and/or Target Company (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 COB or RTO, 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 Target 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 of the Issuer:
 - (A) in the Vendors,
 - (B) in the Target 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 of the Issuer that are Insiders of any Target Company;
 - (iii) any relationship between or among the Non-Arm's Length Parties of the Issuer and the Non-Arm's Length Parties to the COB or RTO;

- (iv) whether or not the proposed COB or RTO constitutes an Arm's Length Transaction; and
- (v) whether or not the COB or RTO will be subject to Shareholder approval, and if Shareholder approval will not be obtained, include the reasons as required under section 4.1(e);
- (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) a description of any financing arrangement for or in conjunction with the COB or RTO, including the amount, security, terms, use of proceeds and details of any finder's fee or commission;
- (h) 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;
- (i) details of any significant conditions required to be satisfied in connection with the closing of the COB or RTO;
- (j) if a Sponsor has been retained in connection with the COB or RTO, identification of the Sponsor and the terms of sponsorship;
- (k) the following statement:

“Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested 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 [insert name of Issuer] 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 news release.”;

- (l) if a Sponsor has been retained, the following 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.”;

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

The Exchange will co-ordinate with the Issuer the timing of this comprehensive news release in an effort to ensure proper dissemination. Provided that the securities of the Issuer are subject to the trading halt referred to in section 2.2, the Exchange will not object to the Issuer disseminating a brief news release in relation to the COB or RTO prior to the dissemination of the comprehensive news release, although the Issuer should consult with its own legal counsel to ensure that corporate and Securities Laws are also complied with.

2.4 Subsequent News Releases

The Issuer must issue a news release:

- (a) every time there is Material Change relating to the COB or RTO, including its termination, and in accordance with applicable Securities Laws;
- (b) identifying the Sponsor, if applicable;
- (c) at least once in every 30 days following the initial news release referred to in section 2.3, to provide an update on the status of the COB and RTO; and
- (d) when the COB or RTO has closed, in accordance with section 7.8;

provided that when an Issuer intends to continue a trading halt, the news release must disclose the Issuer’s intention to remain halted.

2.5 Requirements for Resumption of Trading

Subject to section 2.6 the securities of the Issuer will remain halted until each of the following has occurred:

- (a) a comprehensive news release, prepared and accepted by the Exchange in accordance with section 2.3, has been issued;
- (b) where the transaction is subject to sponsorship, the Exchange has received a Sponsorship Acknowledgement Form (Form 2G), and the accompanying documents as required by Policy 2.2 - *Sponsorship and Sponsorship Requirements*, which confirms that the Sponsor has reviewed and has no concerns respecting the requisite Personal Information Forms and, if applicable, any Declarations;

- (c) the Exchange is provided with:
 - (i) written confirmation from the Issuer’s legal counsel or from an escrow agent acceptable to the Exchange confirming that the securities of the Issuer held by directors, senior officers, Promoters and other Insiders of the Issuer and the Target Company are subject to the terms of a pooling agreement and such securities will not be released until the Exchange has granted final Exchange acceptance of the COB or RTO (a “**Pooling Arrangement**”), including a list of such Persons and the number of securities of the Issuer owned and controlled by each; or
 - (ii) a copy of the fully executed Pooling Arrangement agreement;
- (d) the Exchange has received 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;
- (e) the Exchange has completed all preliminary background searches it considers necessary or advisable; and
- (f) the Exchange has completed a preliminary assessment of the ability of the Issuer to satisfy Exchange Requirements following the COB or RTO and reviewed any potentially significant issues involving the COB or RTO.

2.6 Continuation of Halt/Subsequent Trading Halt

Where the conditions in section 2.5 are satisfied, the Exchange may nonetheless continue or reinstate a halt in trading of the securities of an Issuer for reasons that may include:

- (a) documentation is not submitted within the time periods prescribed by this Policy;
- (b) the Sponsor, if applicable, terminates the sponsorship agreement;
- (c) the nature of the business of the Resulting Issuer is or will be unacceptable to the Exchange;
- (d) the number of conditions precedent that are required to be satisfied by the Issuer in order to complete the COB or RTO, or the nature or number of any deficiency or deficiencies required 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; or
- (e) the Exchange determines that it is appropriate or in the public interest.

3. Sponsorship

A Sponsor Report may be required by the Exchange in connection with a COB or RTO. See Policy 2.2 - *Sponsorship and Sponsorship Requirements*.

4. Shareholder Approval

4.1 When Shareholder Approval is Required

An Issuer must obtain prior Shareholder approval of a COB or RTO unless:

- (a) the transaction is not a Related Party Transaction and no other circumstances exist which may compromise the independence of the Issuer or other interested parties (in particular, the Issuer's directors and senior officers) with respect to the transaction and accordingly, the Issuer's application must fully disclose all Non-Arm's Length Parties to the Issuer and all Non-Arm's Length Parties to the COB or RTO;
- (b) the Exchange has confirmed to the Issuer that, in its view, the Issuer is without active operations, which generally will include:
 - (i) Issuers listed on NEX or on notice to be transferred to NEX;
 - (ii) Tier 1 and Tier 2 Issuers that do not satisfy the Tier 2 Continued Listing Requirement for "Activity" for the Issuer's industry segment, but have not yet been put on notice to be transferred to NEX. See section 2.1 of Policy 2.5 – *Continued Listing Requirements and Inter-Tier Movement*; and
 - (iii) Tier 1 and Tier 2 Issuers that otherwise satisfy the Exchange that they are without active operations based upon, without limitation, the extent of their business operations over the previous 12 to 24 months, the state of their current asset base and prospects for returning to active operations based on such asset base;

and the Issuer should seek such confirmation during the pre-filing conference referred to in section 2.1;

- (c) the Issuer is not and will not be subject to a cease trade order and will not otherwise be suspended from trading on completion of the COB or RTO;
- (d) Shareholder approval of any aspect of the COB or RTO is not required under applicable corporate laws and is not required under applicable Securities Laws; and
- (e) in its comprehensive news release announcing the COB or RTO required under section 2.3, the Issuer specifically discloses that it will not be obtaining

Shareholder approval of the transaction and the reasons why it will not be obtaining such Shareholder approval, specifically including the reasons set out in sections (a), (b), (c) and (d) above, as applicable.

4.2 Voting Restrictions

Shareholder approval, if required, must be obtained at a meeting of Shareholders or by written consent:

- (a) by a majority of votes cast by Shareholders where the transaction is an Arm's Length Transaction;
- (b) where the transaction involves Non-Arm's Length Parties or other circumstances exist which may compromise the independence of the Issuer with respect to the transaction, by a majority of the votes cast by Shareholders excluding those votes attaching to securities beneficially owned by:
 - (i) Non-Arm's Length Parties to the Issuer who are receiving any "collateral benefit" as that phrase is defined in MI 61-101; and
 - (ii) Non-Arm's Length Parties to the COB or RTO; and
- (c) by means of minority approval if required under Policy 5.9 - *Protection of Minority Security Holders in Special Transactions*, if applicable.

4.3 Shareholder Approval by Written Consent

Subject to Policy 5.9 - *Protection of Minority Security Holders in Special Transactions* and applicable corporate laws and Securities Laws relating to proxy solicitation, the Exchange may accept the written consent of Shareholders in lieu of a vote held at a meeting of Shareholders as evidence of Shareholder approval of the COB or RTO. If Shareholder approval is obtained by written consent, the Issuer must provide Shareholders with a final Filing Statement (Form 3D2) prior to obtaining their written consent. The Filing Statement must be prepared and delivered in accordance with sections 7.3 and 7.7, and filed via SEDAR. Where the proposed COB or RTO is a transaction that is subject to Policy 5.9 - *Protection of Minority Security Holders in Special Transactions*, the Exchange may accept the written consent of Shareholders subject to the conditions in section 4.2 and the grant of any applicable exemption pursuant to Policy 5.9 - *Protection of Minority Security Holders in Special Transactions* and applicable Securities Laws. The written consent must include:

- (a) an explanation of the transaction, including why the approval of the Shareholder is required;
- (b) the name of the Shareholder;
- (c) the number of securities of the Issuer beneficially owned by the Shareholder;

- (d) confirmation that the Shareholder has received a copy of or has access to the final Filing Statement;
- (e) confirmation that the Shareholder has had the opportunity to read the final Filing Statement and understands the transaction;
- (f) confirmation that the Shareholder approves the transaction; and
- (g) the signature of the Shareholder and the date of signature.

5. Bridge Financing to the Issuer

5.1 Bridge Financing

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

5.2 Concurrent Financing

A financing that an Issuer proposes to complete after it has entered into a COB Agreement or RTO Agreement and concurrently with the closing of the COB or RTO to raise funds needed to close the COB or RTO (e.g. closing payments to the Vendor) and 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 COB or RTO transactions). The Exchange will not generally permit an Issuer or Target Company to complete a Concurrent Financing prior to the closing of its COB or RTO unless the Concurrent Financing is done on a special warrant, subscription receipt or similar basis with the funds being held in escrow pending completion of the COB or RTO and the comprehensive news release referred to in section 2.3 has been disseminated prior to the closing of the Concurrent Financing.

5.3 Bridge Financing Terms

An Issuer proposing a Bridge Financing must satisfy all of the following requirements:

- (a) the Issuer does not have sufficient financial resources to pay for the costs associated with proceeding to completion of the proposed COB or RTO (e.g. audit fees, legal fees, costs of preparing the necessary documentation for the COB or RTO, due diligence costs, etc.);

- (b) the Bridge Financing will be completed independent of the completion of the COB or RTO with the funds being made available for the Issuer's use immediately upon closing of the Bridge Financing;
- (c) except as permitted under section 6.2, the proceeds of the Bridge Financing must be specifically for the purpose of funding the costs associated with proceeding to completion of the proposed COB or RTO (e.g. audit fees, legal fees, costs of preparing the necessary documentation for the COB or RTO, due diligence costs, etc.), excluding any payments due to the Vendor on closing, and the Issuer must provide the Exchange with details of the proposed use of proceeds;
- (d) subject to section (g), 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 Issuer's use and there is no certainty that the COB or RTO 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 and/or involve the issuance of warrants even if the Concurrent Financing does not involve the issuance of warrants;
- (e) subject to section (g), 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 COB or RTO;
- (f) subject to section (g), if warrants are to be issued under the Bridge Financing, they do not need to be subject to the warrant exercise price premium prescribed by section 1.7(b) of Policy 4.1 – *Private Placements*, provided that the minimum exercise price must be not less than the greater of:
 - (i) the offering price for the Concurrent Financing; and
 - (ii) the applicable Market Price at the time of announcement of the COB or RTO;
- (g) 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;
- (h) 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 COB or RTO 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;
- (i) for the purposes of section 1.3(f)(ii) of Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*, the Bridge Financing shall be treated as independent of the Concurrent Financing; and
 - (j) the applicable fee in respect of the Bridge Financing must be calculated and paid separately from the COB or RTO and any Concurrent Financing.

6. Deposits and Loans to Target Companies

6.1 Non-Refundable Deposits and Unsecured Loans

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.

6.2 Secured Loans

Any proposed deposit, advance or loan of funds, including any of the proceeds of a Bridge Financing, from the Issuer to the Target Company or any Vendor(s) in excess of the \$25,000 maximum aggregate referred to in section 6.1 may only be made:

- (a) as a secured loan by an Issuer to the Target Company or the Vendor(s), as the case may be; and
- (b) if all of the following conditions are satisfied:
 - (i) Exchange acceptance is obtained prior to any such funds being loaned to the Target Company or Vendor(s);
 - (ii) the COB or RTO is an Arm's Length Transaction;
 - (iii) the COB or RTO has been announced in a comprehensive news release pursuant to section 2.3;
 - (iv) the due diligence with respect to the COB or RTO is well underway;
 - (v) if applicable, a Sponsor has been engaged (as evidenced by the filing of a Sponsorship Acknowledgement Form as defined in Policy 2.2 –

Sponsorship and Sponsorship Requirements) or sponsorship has been waived in relation to the COB or RTO;

- (vi) the loan has been announced in a news release at least 15 days prior to the date of any such loan; and
- (vii) the total amount of all deposits, advances and loans from the Issuer under section 6.1 and section 6.2 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 Issuer.

6.3 Partial Advances

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.

7. Procedural Steps

7.1 Filing of Initial Documents

The documents set out in section 7.2 (the “**Initial Documents**”) must be filed with the Exchange within 75 days after the news release announcing the COB Agreement or RTO Agreement, failing which the trading in the Listed Shares of the Issuer may be halted until the Initial Documents have been filed or a news release announcing the termination of the COB Agreement or RTO Agreement has been disseminated.

7.2 Initial Documents

The following Initial Documents must be filed:

- (a) a submission letter from the Issuer (or, with the consent of the Issuer, from the Target Company) giving notice of the proposed COB or RTO 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 COB or RTO and their holdings of securities in the Issuer, any Target Company and/or any Vendor;
 - (vii) indication of whether the proposed COB or RTO 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 COB or RTO; and
 - (viii) where applicable, identification of any required waivers or exemptive relief applications made or to be made from applicable 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 section 11;
 - (e) Form 2J – *Securityholder Information*;
 - (f) a list of each material contract that the Issuer 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 Issuer 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 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 a 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 Qualifying Properties, Principal Properties or other Target Assets are located outside Canada or 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, 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 the completion of the COB or RTO, 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 as described in section 4.3; 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 the Conditional Acceptance is issued.

7.3 Disclosure Document

The Issuer must prepare a Disclosure Document for an RTO or COB which must contain full, true and plain disclosure relating to the Issuer, the Target Assets and any Target Company, assuming completion of the transaction. Any Disclosure Document in relation to an RTO or COB must be prepared in accordance with the requirements of applicable Securities Laws and in accordance with the Exchange Information Circular/Filing Statement Form (Forms 3D1/3D2). Issuers are reminded of the additional disclosure requirements of Policy 5.9 - *Protection of Minority Security Holders in Special Transactions*, where applicable.

7.4 Exchange Review

The Exchange will review the Initial Documents and provided there are no material deficiencies, will advise the Issuer that it may set a meeting date for Shareholders to approve the COB or RTO, if applicable.

7.5 Conditional Acceptance of the Exchange

Following the resolution of all material deficiencies to the satisfaction of Exchange staff, the application is submitted to the Executive Listings Committee for consideration. If the COB or RTO 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 7.6 and all Final Documents as set out in section 7.10.

If the Issuer files its Disclosure Document on SEDAR and/or sends the Disclosure Document to its Shareholders prior to the Exchange issuing its Conditional Acceptance, the Exchange may require the Disclosure Document to be amended and updated (including the addition of more recent financial statements, if applicable) and then re-filed on SEDAR and again sent to the Issuer’s Shareholders.

7.6 Conditional Acceptance Documents

Following the Exchange’s Conditional Acceptance of the Issuer’s application, the Issuer 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 section 11 with statements of financial position originally signed by two directors and originally signed auditor’s reports;

- (b) a version of the final Disclosure Document, black-lined to show changes from the draft Disclosure Document referred to in section 7.2(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 Issuer or any Target Company has entered into, or other document previously filed with the Exchange in draft form;
- (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. The letter must consent to the submission of the Report to the Exchange, and the inclusion or reference in the Disclosure Document of the Expert’s Report, and 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:
 - (i) in the case of the consent of an auditor, the letter must 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 Disclosure Document:
 - (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 Mineral 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 National Instrument 51-101– *Standards of Disclosure for Oil and Gas Activities*, the letter shall, in the case of a technical report, also include the consent specified by that instrument;

- (f) only where required by the Exchange, a comfort letter from the auditor of the Target Company, prepared in accordance with the relevant standards in the CICA Handbook, if an unaudited financial statement of the Target Company is included in the Disclosure Document; and
- (g) if a financial statement included in the Disclosure Document has been prepared in accordance with accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, as permitted by NI 52-107 – *Acceptable Accounting Principles and Auditing Standards*, or includes an auditor’s report prepared in accordance with auditing standards other than Canadian GAAS, as permitted by NI 52-107 - *Acceptable Accounting Principles and Auditing Standards*, a letter to the Exchange from the auditor that discusses the auditor’s expertise:
 - (i) to audit the reconciliation of the accounting principles used to Canadian GAAP applicable to publicly accountable enterprises; and
 - (ii) in the case of auditing standards other than Canadian 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.

7.7 Process for Shareholder Approval

Once the Conditional Acceptance Documents have been accepted for filing, the Exchange will advise the Issuer that it is cleared to file the final Disclosure Document with the Exchange and Securities Commission(s) via SEDAR and:

- (a) where Shareholder approval is not required, the Issuer will file the final Disclosure Document with the Exchange and Securities Commission(s) via SEDAR at least seven business days prior to:
 - (i) the resumption of trading in the securities of the Issuer following the closing of the COB or RTO, if such securities are halted from trading; and
 - (ii) the closing of the COB or RTO, if the securities of the Issuer are not halted from trading;

and concurrent with such filing on SEDAR, the Issuer must issue a news release which discloses the scheduled closing date for the COB or RTO as well as the fact that the Disclosure Document is available on SEDAR;

- (b) where Shareholder approval is required and is to be obtained at a meeting of Shareholders, the Issuer will file with the Exchange and Securities Commission(s) via SEDAR and mail to its Shareholders the notice of meeting, final Disclosure Document and form of proxy, together with any other required documents, and once the requisite Shareholder approval is obtained, the Issuer may close the COB

or RTO (subject to final Exchange acceptance) and may complete or close any concurrent transactions; and

- (c) where Shareholder approval is required and is to be obtained by written consent, the Issuer will file with the Exchange and Securities Commission(s) via SEDAR the final Disclosure Document, and once the requisite Shareholder approval is obtained, the Issuer may close the COB or RTO (subject to final Exchange acceptance) and may complete or close any concurrent transactions.

7.8 News Release Regarding Closing

Upon closing of the COB or RTO, the Resulting Issuer must issue a news release disclosing all Material Changes and any outstanding conditions for final Exchange acceptance before filing the Final Documents set out in section 7.10. The Resulting Issuer should contact the Exchange before issuing the news release regarding closing to co-ordinate the timing of the release.

7.9 Name Change or Stock Consolidation/Split

Management of the Resulting Issuer must co-ordinate the timing of any name change or stock consolidation/split with the Exchange such that any change to a corporate name, any consolidation, stock split or reclassification of securities is effected as soon as possible for trading purposes after becoming legally effective. The Issuer must advise all Persons who are issued security certificates that give effect to any such change that their certificates may not be accepted for delivery or transfer until the change becomes effective for trading purposes. See Policy 5.8 – *Issuer Names, Issuer Name Changes, Share Consolidations and Splits*.

7.10 Final Documents and Procedures

Within 90 days after the Conditional Acceptance of the COB or RTO, the Issuer must file with the Exchange the final documents (the “**Final Documents**”) which include:

- (a) where Shareholder approval is required:
 - (i) where 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 COB or RTO confirming:
 - (A) the applicable Shareholder approval was received for the COB or RTO and, where applicable, confirming that the votes required to be excluded by section 4.2 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) where Shareholder approval is obtained by consent, the Issuer 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 officer's 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 to be entered into pursuant to section 9;
- (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 for the Resulting Issuer's Listed Shares;
- (j) any other documents required to be filed; and
- (k) the balance of the applicable fees prescribed by Policy 1.3 - *Schedule of Fees*.

7.11 Final Exchange Bulletin

If the Final Documents are satisfactory, the Exchange will issue the Final Exchange Bulletin confirming the final Exchange acceptance of the COB or RTO and indicating any new name or stock symbol.

7.12 Trading

At the opening of trading two trading days after the issuance of the Final Exchange Bulletin, the securities of the Resulting Issuer will commence trading.

8. Application of Initial Listing Requirements

8.1 Initial Listing Requirements

When an Issuer undergoes a COB or an RTO, before the Completion Date, the Resulting Issuer must satisfy the Exchange's Initial Listing Requirements for a particular industry segment in either Tier 1 or Tier 2 as prescribed by Policy 2.1 - *Initial Listing Requirements*.

8.2 Financial Calculations

References in Policy 2.1 - *Initial Listing Requirements* to Approved Expenditures of the applicant Issuer will mean Approved Expenditures of the Target Company or Vendor(s) of the Target Assets. References in Policy 2.1 - *Initial Listing Requirements* to Working Capital, Financial Resources or Net Tangible Assets of the Issuer will mean the consolidated working capital, financial resources and Net Tangible Assets of the Resulting Issuer.

8.3 Directors and Management

The directors and management of the Resulting Issuer must meet the requirements set out in Policy 3.1 - *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

9. Vendor Consideration and Escrow

The Issuer and the Target Company must comply with the provisions of Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

10. Treasury Orders and Resale Restrictions

Securities issued pursuant to a COB or RTO may be subject to Resale Restrictions, including hold periods under applicable Securities Law. The Issuer must ensure that it complies with any requirement of applicable Securities Law to legend the securities for any Resale Restriction or hold period or any other requirement to advise the recipient of securities of Resale Restrictions or hold periods.

11. Financial Statements

11.1 Financial Statements Required

Except as specifically modified below, the financial statements of the Issuer and the Target Company to be included in the Disclosure Document must comply with the applicable provisions of Forms 3D1 or 3D2, as applicable, provided that for the purposes of section 1. of Item 47.1, only the annual financial statements relating to the Target Company for each of the two most recently completed financial years ended more than 90 days before the date of the Disclosure Document must be included.

11.2 Securities Commission(s) Waivers

Notwithstanding section 11.1, the Exchange cannot waive financial statement requirements in respect of any information circular filed in connection with a reverse takeover, as that term is defined in National Instrument 51-102 – *Continuous Disclosure Requirements*. Issuers must therefore obtain such waivers from applicable Securities Commission(s).

11.3 Exchange Waivers

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 Issuers' future financial statements; and
- (b) enable the Issuer to prepare audited financial statements in connection with any future Prospectus offering filings.

12. Other Requirements

12.1 Share Price

- (a) The price for securities issued by an Issuer under or in conjunction with a COB or RTO must not be less than the Discounted Market Price.
- (b) The exercise price of convertible securities under or in conjunction with a COB or RTO must not be less than the Market Price.
- (c) The determination of price per security in this section is likely different than the determination of price for the purposes of the pro forma financial statements, as set forth at section 11.1.

12.2 Stock Options

The Exchange will generally not accept for filing stock options granted in connection with a COB or RTO:

- (a) until at least 30 days have passed since the Completion Date and at least ten trading days have passed since the day on which trading in the Issuer's securities resumes; or
- (b) unless the exercise price is equivalent to or greater than the price of a concurrent financing (of which a significant percentage of the subscribers are at arm's length to the Issuer or Resulting Issuer) done in conjunction with the COB or RTO, and the issuance was disclosed in the Disclosure Document and any offering document.

12.3 Fees

Any finder's fees paid must comply with Policy 5.1 – *Loans, Bonuses, Finder's Fees and Commissions*.

12.4 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 may require the Issuer or any Resulting Issuer to pay for the Exchange's costs.

12.5 Assessment of a Significant Connection to Ontario

Where, pursuant to an RTO, a Resulting Issuer will have a Significant Connection to Ontario, it must immediately notify the Exchange and make an application to be deemed a reporting issuer pursuant to section 18.2 of Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

12.6 Delay and Inactivity

- (a) If the Disclosure Document has not been filed on SEDAR and, if applicable, sent to Shareholders, within 75 days after the date the initial submission of documents is made under section 7.2 and, in the opinion of the Exchange, the delay is due to inactivity of the Issuer or the person filing the Initial Documents, the Exchange may:
 - (i) close its file as “not proceeded with” and require the Issuer to issue a news release with respect to the status of the proposed transaction; or
 - (ii) 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 pursuant to section 7.10 have not been submitted to the Exchange within the time prescribed by the Exchange following the Conditional Acceptance, the Exchange may:
 - (i) require the Issuer or the Resulting Issuer to issue a news release explaining the delay; and/or
 - (ii) halt or suspend trading in the Shares of the Issuer or Resulting Issuer, pending filing of the Final 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.

12.7 Securities Laws

If applicable, Issuers and the Resulting Issuer must comply with NI 51-102 - *Continuous Disclosure Obligations* including the relevant provisions relating to changes in year end, changes of auditors, forward-looking information and future oriented financial information and financial

outlooks. Acceptance for filing by the Exchange of a Disclosure Document should not be construed as assurance of compliance with these policies.

Review and acceptance for filing by the Exchange of any Disclosure Document prepared in connection with a COB or RTO or the issuance of an Exchange Bulletin confirming final acceptance should not be construed as assurance that the parties to the transaction are in compliance with applicable Securities Laws, including any registration or Prospectus exemption or disclosure requirements for a securities exchange take-over bid circular, offering memorandum or other disclosure document.

Parties to a COB or RTO are reminded of the restrictions under Securities Laws and Exchange Requirements when dealing with confidential information and trading in securities while in possession of such information. See Policy 3.1 - *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.
