



## POLICY 2.5

# TIER MAINTENANCE REQUIREMENTS AND INTER-TIER MOVEMENT

### Scope of Policy

This Policy describes the minimum standards to be met by Issuers to continue to qualify for listing in each tier. These minimum standards, referred to as Tier Maintenance Requirements or TMR, relate to the financial situation, business activity and shareholder distribution of Issuers.

Capitalized terms, unless otherwise defined in this Policy, will have the same meanings as defined in *Policy 2.1 - Minimum Listing Requirements*. This Policy also describes the process for an Issuer to apply to move to a higher tier.

The main headings in this Policy are:

1. Application of Tier Maintenance Requirements
2. Procedure
3. Tier 1 - Tier Maintenance Requirements
4. Tier 2 - Tier Maintenance Requirements
5. Summary of Tier Maintenance Requirements
6. Suspension
7. Graduation from Tier 2 to Tier 1
8. Transition Policy Re: Inactive Issuers

## 1. Application of Tier Maintenance Requirements

### 1.1 General

The Tier Maintenance Requirements (“TMR”) are the standards that Issuers must meet in order to continue to be listed on Tier 1 or Tier 2. The Exchange can move an Issuer to a lower tier or to NEX, designate an industry segment, suspend trading in, or delist the Listed Shares of any Issuer which does not meet the TMR for its tier.

Refer to Sections 3 and 4 for a summary of Tier 1 and Tier 2 TMR.

## **1.2 News Release Requirement**

The Exchange deems movement between tiers and the transfer to NEX as “Material Information” under *Policy 3.3 - Timely Disclosure*. It may also be a “material change” under applicable Securities Laws. Under Exchange Requirements, an Issuer must issue a news release announcing any change in tier or designation if the Issuer moves between tiers, or has been put on notice that trading in its Listed Shares will be transferred to NEX.

## **1.3 Exchange Bulletin**

The Exchange will issue Exchange Bulletins for all movements between Tier 1 and Tier 2. The Exchange will also issue an Exchange Bulletin when an Issuer is put on notice for transfer of its listing to NEX.

# **2. Procedure**

## **2.1 Application of Tier 1 TMR**

- (a) A Tier 1 Issuer that fails to meet one of the Tier 1 TMR will not automatically be downgraded to Tier 2. The Exchange will notify the Issuer in writing (the “Tier 1 Notice”) as to the Tier 1 TMR that it does not meet and will allow the Issuer six months from the date of the Tier 1 Notice to meet the requirement. If, after that six-month period, the Issuer does not meet all Tier 1 TMR, it will be downgraded to Tier 2.
- (b) If a Tier 1 Issuer fails to meet more than one Tier 1 TMR, the Exchange will send a Tier 1 Notice notifying the Issuer of the Tier 1 TMR that it does not meet and will allow the Issuer 90 days from the date of the Tier 1 Notice to meet the requirements. If, after that 90 day period, the Issuer does not meet all Tier 1 TMR, it will be downgraded to Tier 2.
- (c) If a Tier 1 Issuer’s financial circumstances or Public Float has declined such that the Issuer meets only one or none of the Tier 1 TMR, the Exchange may immediately move the Issuer to Tier 2 and if it does not meet more than one Tier 2 TMR, the Exchange may put it on notice for transfer to NEX, or suspend and delist that Issuer in accordance with section 2.2(b) and 2.2 (d) of this Policy.
- (d) A Tier 1 Issuer that has been suspended from trading for more than 10 business days may be downgraded to Tier 2, without notice from the Exchange.
- (e) A Tier 1 Issuer that has been moved to Tier 2 may be reinstated to Tier 1, but only after the Issuer has been on Tier 2 for at least six months. The Issuer must satisfy the Exchange that it meets all applicable Tier 1 Minimum Listing Requirements before the Issuer may be reinstated to Tier 1.

- (f) The Exchange uses discretion and flexibility in applying Tier 1 TMR. The Exchange may permit an Issuer, which does not meet one or more of the Tier 1 TMR to continue to be a Tier 1 Issuer if other elements of the Issuer's business are strong or the Issuer is affected by seasonal or other business cycles.

## 2.2 Application of Tier 2 TMR

- (a) A Tier 2 Issuer which fails to meet one of the Tier 2 TMR will not automatically be transferred to NEX. The Exchange will notify the Issuer in writing (the "Tier 2 Notice") as to the Tier 2 TMR that it does not meet and will allow the Issuer six months from the date of the Tier 2 Notice to meet the requirement. During those six months, the Issuer will trade as a normal Tier 2 Issuer. If, after that six-month period, the Issuer still does not meet all applicable Tier 2 TMR, the Exchange may suspend and delist the Listed Shares of the Issuer or transfer its listing to NEX
- (b) If a Tier 2 Issuer fails to meet more than one Tier 2 TMR, the Exchange will send a Tier 2 Notice notifying the Issuer of the Tier 2 TMR that it does not meet and will allow the Issuer 90 days from the date of the Tier 2 Notice to meet the requirements. If, after that 90 day period, the Issuer still does not meet all Tier 2 TMR the Exchange will transfer the Issuer to NEX.
- (c) Upon the issuance of the Tier 2 Notice, until the Exchange issues a Bulletin indicating the Issuer meets Tier 2 TMR, the Issuer must not:
  - (i) grant new incentive stock options;
  - (ii) accrue management fees in excess of \$2,500 per month; or
  - (iii) enter into any contracts relating to Investor Relations Activities.
- (d) The Exchange may, however, suspend and/or delist the Listed Shares of the Issuer or transfer its listing to NEX without the 90 day notice period in circumstances which it deems appropriate. These circumstances may include situations where the Issuer has disposed of, or abandoned, all or substantially all of its assets, declared bankruptcy or is subject to receivership.

See *Policy 2.6 – NEX Companies and Reactivation* for a discussion of Issuers that have been trading on NEX prior to Reactivation

- (e) The Exchange uses discretion and flexibility in applying Tier 2 TMR. If an Issuer has a viable business although it does not meet certain elements of the Tier 2 TMR, the Exchange may determine that it is not appropriate to transfer the Issuer to NEX. The Exchange will consider the seasonal or other cycles which affect an Issuer's business. If an Issuer's Working Capital is low because of seasonal or other temporary conditions, the Exchange may delay enforcement of this Policy but will continue to monitor the Issuer.

### 3. Tier 1 - Tier Maintenance Requirements

To maintain a listing on Tier 1, an Issuer must meet all Tier 1 TMR for its industry segment. These requirements are set out below.

#### 3.1 Shareholder Distribution – A Tier 1 Issuer must have:

- (a) at least 750,000 Listed Shares in the Public Float;
- (b) at least 150 Public Shareholders holding at least one Board Lot, each free of Resale Restrictions; and
- (c) at least 10% of the Listed Shares in the Public Float.

#### 3.2 Market Capitalization – The Public Float of a Tier 1 Issuer must have a Market Value of at least \$750,000.

#### 3.3 Net Tangible Assets/Property – A Tier 1 Issuer must meet the following Net Tangible Asset or property standards:

- (a) *Technology or Industrial Issuer* - Net Tangible Assets exceeding \$1,000,000 or positive pre-tax earnings;
- (b) *Mining Issuer* – a material interest in a Tier 1 Property;
- (c) *Oil and Gas Issuer* - at least \$1,000,000 in proven and probable reserves, of which at least \$500,000 must be proven;
- (d) *Research and Development Issuer* - Net Tangible Assets exceeding \$2,000,000; and
- (e) *Real Estate or Investment Issuer* - Net Tangible Assets exceeding \$2,000,000.

#### 3.4 Working Capital – A Tier 1 Issuer must meet the following minimum Working Capital standards:

- (a) *Technology or Industrial Issuer* - sufficient Working Capital or Financial Resources to maintain operations for 12 months;
- (b) *Mining Issuer* – sufficient Working Capital or Financial Resources to maintain operations and keep Principal Properties in good standing for 12 months ;
- (c) *Oil and Gas Issuer* – sufficient Working Capital or Financial Resources to maintain operations for 12 months;
- (d) *Real Estate or Investment Issuer* - sufficient Working Capital or Financial Resources to maintain operations for 12 months; and

- (e) **Research and Development Issuer** - sufficient Working Capital to maintain operations for 12 months.

**3.5 Activity** – A Tier 1 Issuer must meet the following minimum activity standards:

- (a) a demonstration of positive cash flow; or
- (b) at least \$1,000,000 in operating revenues in the previous 12 months; or
- (c) at least \$200,000 on expenditures directly related to development of assets during the previous 12 months.

**3.6 Assets and Operations** – To maintain a listing on Tier 1, an Issuer must not:

- (a) substantially reduce or impair its principal operating assets;
- (b) cease to be an operating Issuer, or
- (c) discontinue a substantial portion of its operations or business for any reason.

## **4. Tier 2 – Tier Maintenance Requirements**

To maintain a listing as an active Tier 2 Issuer, an Issuer must meet all Tier 2 TMR for its industry segment. These requirements are set out below.

**4.1 Shareholder Distribution** – A Tier 2 Issuer must have:

- (a) at least 300,000 Listed Shares in the Public Float;
- (b) at least 150 Public Shareholders holding at least one Board Lot each, free of Resale Restrictions; and
- (c) at least 10% of the Listed Shares in the Public Float.

**4.2 Market Capitalization** – The Public Float of a Tier 2 Issuer must have a Market Value of at least \$100,000.

**4.3 Net Tangible Assets/Property** – A Tier 2 Issuer must meet the following Net Tangible Asset or property standards:

- (a) **Technology or Industrial Issuer** – Net Tangible Assets exceeding \$100,000;
- (b) **Real Estate or Investment Issuer** - Net Tangible Assets exceeding \$250,000; and
- (c) **Research and Development Issuer** - Net Tangible Assets exceeding \$250,000.

**4.4 Working Capital** – A Tier 2 Issuer must meet the following minimum Working Capital standards:

- (a) ***Technology or Industrial Issuer*** - adequate Working Capital and Financial Resources to cover six months of operations pursuant to the business plan, being an amount of at least \$50,000;
- (b) ***Mining or Oil and Gas Issuer*** - adequate Working Capital and Financial Resources to maintain operations and cover general and administrative expenses for six months, being an amount of at least \$50,000;
- (c) ***Real Estate or Investment Issuer*** - adequate Working Capital and Financial Resources to cover six months of operations pursuant to the business plan, being an amount of at least \$50,000;
- (d) ***Research and Development Issuer*** - adequate Working Capital to cover six months of the recommended research and development program, being an amount of at least \$50,000.

The Exchange will not generally require a Tier 2 Issuer to transfer its listing to NEX solely because it does not meet the minimum Working Capital requirements.

**4.5 Activity** – A Tier 2 Issuer must maintain the following activity standards:

- (a) ***Technology, Industrial, Real Estate or Investment Issuer***
  - (i) demonstration of positive cash flow; or
  - (ii) significant operating revenues in the previous 12 months; or
  - (iii) at least \$100,000 on expenditures directly related to the development of assets in the previous 12 months;
- (b) ***Mining or Oil and Gas Issuer***
  - (i) significant operating revenues or positive cash flow in the previous 12 months; or
  - (ii) at least \$50,000 on exploration or development of the Issuer's Principal Properties in the previous 12 months
- (c) ***Research and Development Issuer***
  - (i) significant operating revenues in the previous 12 months; or
  - (ii) at least \$100,000 on expenditures directly related to the development of assets in the previous 12 months.

**4.6 Assets and Operations** – To maintain a listing, an Issuer must not:

- (a) substantially reduce or impair its principal operating assets;
- (b) cease to be an operating Issuer; or
- (c) discontinue a substantial portion of its operations or business for any reason.

## 5. Summary of Tier Maintenance Requirements

The following is a summary of the Tier 1 Tier Maintenance Requirements:

Tier 1 Tier Maintenance Requirements					
Tier Maintenance Requirements	Mining Issuers	Oil & Gas Issuers	Technology or Industrial Issuers	Research & Development Issuers	Real Estate or Investment Issuers
Shareholder Distribution	At least 750,000 Listed Shares, in the Public Float				
	At least 150 Public Shareholders holding at least one Board Lot each, free of Resale Restrictions				
	At least 10% of the Listed Shares in the Public Float				
Market Capitalization	Market Value of Public Float must be at least \$750,000				
Working Capital	Sufficient Working Capital or Financial Resources to maintain operations and keep Principal Properties in good standing for 12 months	Sufficient Working Capital or Financial Resources to maintain operations for 12 months	Sufficient Working Capital or Financial Resources to maintain operations for 12 months		
Net Tangible Assets / Property	A material interest in a Tier 1 Property	\$1,000,000 in proven and probable reserves, of which \$500,000 must be proven	Net Tangible Assets exceeding \$1,000,000 or positive pre-tax earnings	Net Tangible Assets exceeding \$2,000,000	Net Tangible Assets exceeding \$2,000,000
Activity	A demonstration of positive cash flow or at least \$1,000,000 in operating revenues in the previous 12 months or at least \$200,000 on expenditures directly related to development of assets during the previous 12 months				
Assets and Operations	An Issuer must not substantially reduce or impair its principal operating assets, cease to be an operating Issuer; or discontinue a substantial portion of its operations or business for any reason				

The following is a summary of the Tier 2 Tier Maintenance Requirements:

<b>Tier 2 Tier Maintenance Requirements</b>					
<b>Tier Maintenance Requirements</b>	<b>Mining Issuers</b>	<b>Oil &amp; Gas Issuers</b>	<b>Technology or Industrial Issuers</b>	<b>Research &amp; Development Issuers</b>	<b>Real Estate or Investment Issuers</b>
<b>Shareholder Distribution</b>	At least 300,000 Listed Shares in the Public Float				
	At least 150 Public Shareholders holding at least one Board Lot each, free of Resale Restrictions				
	At least 10% of the Listed Shares in the Public Float				
<b>Market Capitalization</b>	Market Value of Public Float must be at least \$100,000				
<b>Working Capital</b>	Adequate Working Capital/Financial Resources to maintain operations and cover general and administrative expenses for 6 months, being an amount of at least \$50,000		Adequate Working Capital/Financial Resources to maintain operations for 6 months, being an amount of at least \$50,000		
<b>Net Tangible Assets</b>	N/A	N/A	Net Tangible Assets exceeding \$100,000	Net Tangible Assets exceeding \$250,000	Net Tangible Assets exceeding \$250,000
<b>Activity</b>	At least \$50,000 on exploration or development in the previous 12 months or positive cash flows or significant operating revenues in the previous 12 months		Positive cash flow, significant operating revenues in the previous 12 months or at least \$100,000 on expenditures directly related to development of assets during the same period		
<b>Assets and Operations</b>	An Issuer must not substantially reduce or impair its principal operating assets, cease to be an operating Issuer, or discontinue a substantial portion of its operations or business for any reason				

## 6. Suspension

6.1 The Exchange will automatically suspend from trading the Listed Shares of an Issuer if the Exchange determines that it is in the public interest to do so.

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

## 7. Graduation from Tier 2 To Tier 1

7.1 If the management of a Tier 2 Issuer reasonably believes that the Issuer meets all of the Tier 1 MLR, the Tier 2 Issuer may apply to the Exchange for graduation to Tier 1.

7.2 An application made pursuant to section 7.1 shall include the following:

(a) a covering letter containing a summary description of the industry category and how the applicant Issuer meets Tier 1 MLR for that industry and category in accordance with *Policy 2.1 – Minimum Listing Requirements*, (except as to distribution requirements in which case the applicant Issuer must show how it meets applicable Tier 1 TMR in accordance with this Policy);

(b) audited financial statements of the applicant Issuer for the most recent financial year;

(c) a certificate of the applicable Securities Commission(s) or legal opinion to the effect that the applicant Issuer is a reporting issuer in good standing or not in default in each jurisdiction in which it is a reporting issuer;

(d) any other documents as may be required by the Exchange including:

(i) relevant reports, valuation, or opinions; and

(ii) evidence that the applicant Issuer is in compliance with all Exchange Requirements; and

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

7.3 The Exchange may refuse an application for graduation to Tier 1, even if the Issuer appears to satisfy Tier 1 MLR where the Exchange determines that it is in the public interest to do so.

7.4 The Exchange may graduate any Tier 2 Issuer to Tier 1 without an application being made by the Issuer.

## **8. Transition Policy re: Inactive Issuers**

8.1 This Policy is effective as of **August 18, 2003**.

8.2 Issuers that are put on notice for transfer to NEX on or after the effective date will be subject to this Policy.

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