

POLICY 4.1

PRIVATE PLACEMENTS

Scope of Policy

A Private Placement occurs when an Issuer distributes its securities for cash in reliance upon exemptions from the Prospectus or securities registration requirements prescribed by Securities Laws. As set out in this Policy, an Issuer must provide notice to the Exchange of any Private Placement and receive Exchange acceptance of the Private Placement before it issues any securities under the Private Placement. This Policy sets out the Exchange's requirements for the various types of Private Placements including those involving the issuance of Listed Shares, units (comprised of Listed Shares and Warrants) and Convertible Securities.

The main headings in this Policy are:

1. General Requirements and Procedures
2. Private Placement of Convertible Securities
3. Amending Warrant Terms
4. Amending Convertible Securities

Guidance Notes:

- N.1 **Shares for Debt:** See Policy 4.3 - *Shares for Debt* ("**Policy 4.3**") for Exchange Requirements on settling outstanding debt of an Issuer by issuing securities to a creditor. A Private Placement with a creditor where either: (a) the cash received by the Issuer from the creditor will be used to repay the debt to the creditor; or (b) the creditor's subscription price is offset against the debt, will be subject to the requirements and limitations set forth in Policy 4.3.
- N.2 **Sale of Previously Issued Shares:** An Issuer's sale for cash of any of its previously issued Listed Shares that were purchased or otherwise acquired by the Issuer (e.g. previously issued Listed Shares purchased by the Issuer pursuant to an issuer bid) will be treated as a Private Placement for the purposes of this Policy 4.1.
- N.3 **Special Warrants:** For the purposes of this Policy 4.1, a Private Placement of special warrants (or similar security, such as subscription receipts) will be treated as a Private Placement of the securities underlying the special warrants.
- N.4 **Indirect Private Placements:** The Exchange may treat a transaction or series of transactions that has the effect of directly or indirectly financing the Issuer in exchange for the direct or indirect issuance of securities of the Issuer as a Private Placement for the purposes of this Policy 4.1.

1. General Requirements and Procedures

The following requirements and procedures apply to all Private Placements. Specific additional requirements for Private Placements of Convertible Securities follow in Part 2 of this Policy 4.1.

1.1 Interpretation

Terms not otherwise defined in this Policy or in Policy 1.1 – *Interpretation* (“**Policy 1.1**”) shall have the following meanings for the purposes of this Policy:

“**Conditional Acceptance**” means the Exchange’s conditional acceptance of the terms of a Private Placement, as formally set out in an Exchange letter to the Issuer (or its authorized filing agent).

“**Conversion Period**” means the time period during which a Convertible Security may be converted into the underlying securities.

“**Conversion Price**” means the price per security at which a Convertible Security may be converted into the underlying securities.

“**Convertible Security**” means a security which is convertible into an Issuer’s Listed Shares (or units comprised of a Listed Share and up to one Warrant), but, for the purposes of this Policy 4.1, does not include share purchase warrants, stock options or special warrants.

“**Final Acceptance**” means the Exchange’s final acceptance of the terms of a Private Placement, as formally set out in an Exchange letter to the Issuer (or its authorized filing agent).

“**Notice**” or “**Form 4B**” means a Form 4B – *Notice of Private Placement*, whether filed in paper format or electronically through V-File. “**Final Notice**” or “**Final Form 4B**” have the meaning set out in section 1.2 below.

“**Placee**” means a Person that is purchasing securities offered under a Private Placement.

“**Private Placement Shares**” means the Listed Shares to be purchased by Placees but excludes Listed Shares acquired on the exercise of a Warrant granted in accordance with sections 1.8 or 2.4 of this Policy.

“**Price Reservation Date**” means the date the Issuer reserves the proposed offering price (or Conversion Price) for a Private Placement, being the date the applicable news release is disseminated or Price Reservation Form is filed per section 1.6(a) of this Policy.

“**Price Reservation Form**” means a Form 4A – *Price Reservation Form*, whether filed in paper format or electronically through V-File.

“**V-File**” means the Exchange’s electronic filing system which, for the purposes of this Policy 4.1, may be used by an Issuer to file a Notice and associated information with the Exchange.

1.2 Summary of Procedures

Subject to such other relevant requirements and procedures that may be applicable to a particular Private Placement, a Private Placement will generally involve the following principal steps in respect of the notice, review and acceptance process of the Exchange. The following is a summary only and is subject to, and supplemented by, the more detailed information and requirements set forth in this Policy 4.1.

Step 1 Price Reservation: The Issuer sets and reserves the proposed offering price (or Conversion Price) per security for the Private Placement by either issuing a comprehensive news release disclosing the proposed terms of the Private Placement or, where permitted (see section 1.6(b) below), filing a Price Reservation Form.

Guidance Notes for Step 1:

- N.1 **Price Reservation Form – Subsequent News Release:** If the Issuer uses a Price Reservation Form to reserve the offering price (or Conversion Price), the Issuer must still issue a comprehensive news release disclosing the terms of the Private Placement upon the earlier of the Private Placement constituting a Material Change and 30 days after the Price Reservation Date. See section 1.9(a) below.
- N.2 **Concurrent Financing for Qualifying Transaction, COB or RTO:** If the Private Placement is intended to form a part of a proposed Qualifying Transaction, COB or RTO, the Issuer must specifically disclose this fact in both the news release disclosing the transaction and in the filing made with the Exchange for acceptance of the Private Placement. Issuers must comply with the trading halt requirements associated with the announcement of a Qualifying Transaction, COB or RTO (as set forth in, as applicable, Policy 2.4 – *Capital Pool Companies* and Policy 5.2 – *Changes of Business and Reverse Takeovers*) and will need to consider whether to request a halt in trading before the news release is issued.

Step 2 Initial Exchange Filing: Within 30 days after the Price Reservation Date, the Issuer files notice of the Private Placement with the Exchange by submitting a Notice/Form 4B and requesting, as applicable, either Conditional Acceptance or Final Acceptance.

If the Issuer is not in a position to provide a fully complete Notice and all other applicable final documentation and information at this time, it may only request Conditional Acceptance. Proceed to Step 3.

If the Issuer is in a position to provide a fully complete Notice (a “**Final Notice**” or “**Final Form 4B**”) and all other applicable final documentation and information at this time, it may request Final Acceptance. Proceed to Step 6.

Step 3 Exchange Review and Conditional Acceptance: The Exchange reviews the initial Notice and advises the Issuer of any issues with the proposed terms of the Private Placement. Once any such issues are resolved to the Exchange’s satisfaction, the Exchange will provide its Conditional Acceptance.

Proceed to either Step 4 or 5, as applicable.

Step 4 Closing on Conditional Acceptance (if permitted): Where permitted by this Policy 4.1 and subject to the terms of the Conditional Acceptance (see section 1.11(c) below), the Issuer may close the Private Placement following receipt of Conditional Acceptance. Following closing, the Issuer must immediately: (a) issue a news release announcing the closing of the Private Placement and all relevant particulars; and (b) complete Step 5 below.

If, prior to closing either: (1) any of the particulars of the Private Placement or related information has changed from what was set forth in the Notice; or (2) any Material Changes (other than the Private Placement) are disclosed or required to be disclosed by the Issuer, the Issuer must immediately advise the Exchange as this may impact the continued validity of the Conditional Acceptance and, correspondingly, the Issuer's ability to close the Private Placement.

Step 5 Follow-Up Exchange Filing: Whether or not the Private Placement has closed on Conditional Acceptance, the Issuer files its Final Notice with the Exchange requesting Final Acceptance.

If the Private Placement has closed on Conditional Acceptance, the Issuer must confirm this fact with the Exchange at the time of filing of the Final Notice and the Final Notice must reflect all final information in respect of the Private Placement.

Step 6 Exchange Review and Final Acceptance: The Exchange reviews the Final Notice and advises the Issuer of any issues with the final terms of the Private Placement. Once any such issues are resolved to the Exchange's satisfaction, the Exchange will provide its Final Acceptance.

If the Private Placement has not already closed at Step 4, proceed to Step 7, otherwise proceed to Step 8.

Step 7 Closing on Final Acceptance: The Issuer closes the Private Placement following receipt of Final Acceptance. Following closing, the Issuer must immediately: (a) issue a news release announcing the closing of the Private Placement and all relevant particulars; and (b) confirm closing of the Private Placement to the Exchange.

If, prior to closing either: (1) any of the particulars of the Private Placement or related information has changed from what was set forth in the Final Notice; or (2) any Material Changes (other than the Private Placement) are disclosed or required to be disclosed by the Issuer, the Issuer must immediately advise the Exchange as this may impact the continued validity of the Final Acceptance and, correspondingly, the Issuer's ability to close the Private Placement.

Step 8 Final Exchange Bulletin: Upon the Exchange having provided Final Acceptance and the Issuer confirming closing of the Private Placement under Step 5 or Step 7, the Exchange issues an Exchange bulletin which provides confirmation to the market of both the Exchange's final acceptance of the terms and completion of the Private Placement.

Guidance Notes:

N.1 **Timeframe for Closing:** Whether closing occurs subsequent to the Exchange providing Conditional Acceptance or Final Acceptance, closing must occur within the timeframes prescribed by section 1.11(d) of this Policy 4.1, except as may otherwise be specifically consented to by the Exchange.

1.3 Prospectus/Registration Exemptions and Resale Restrictions

Issuers are reminded that, in addition to Exchange Requirements, Securities Laws regulate how an Issuer can distribute securities by way of Private Placement and how Placees can resell their securities.

- (a) **Prospectus/Registration Exemptions:** Issuers should consult their own legal counsel and legal counsel in the jurisdiction(s) of the Placees before undertaking a Private Placement to determine the availability of applicable prospectus and securities registration exemptions and associated requirements. Issuers should also note that the prospectus and securities registration exemptions under Securities Laws are technical in nature, require strict compliance and may require the Issuer to prepare and file certain documents with applicable securities regulatory authorities. When reviewing a Private Placement, the Exchange does not determine the availability of the exemption(s) relied upon. Exchange acceptance of a transaction is not assurance that corporate or Securities Laws have been complied with.
- (b) **Resale Restrictions Under Securities Laws:** Under Securities Laws, securities issued pursuant to a Private Placement may be subject to Resale Restrictions. The Resale Restrictions usually require that the securities be held by the Placee for a specified time period and may also restrict or mandate certain activities in connection with the resale. Issuers and Placees should consult with their own legal counsel to assess applicable Resale Restrictions under Securities Laws and associated requirements.
- (c) **Exchange Hold Period:** In addition to any applicable Resale Restrictions under Securities Laws, in certain circumstances the Exchange requires that the securities issued in a Private Placement be subject to an Exchange Hold Period and legended accordingly. In circumstances where the Exchange Hold Period is applicable, the hold period commences upon the distribution date of the securities (whether Listed Shares, Warrants or Convertible Securities) to the Placee. See Policy 1.1 and Policy 3.2 - *Filing Requirements and Continuous Disclosure* for the applicability of the Exchange Hold Period and associated certificate legending requirements.

1.4 Form of Consideration – Cash Only

The form of consideration in a Private Placement must be cash paid by the Placee to the Issuer. If the consideration is in the form of something other than cash (such as, for example, non-cash assets or the settlement of debt), the transaction will be subject to the requirements set forth in

other applicable Exchange Policies such as Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets* (in the case of the Issuer receiving non-cash assets in consideration for the Private Placement securities) or Policy 4.3 (in the case of the Issuer settling debt in direct or indirect consideration for the Private Placement securities).

1.5 Minimum Offering Price

Subject to section 1.7 below, in a Private Placement of Listed Shares or units comprised of Listed Shares and Warrants, the offering price per share or unit, as the case may be, must not be less than the Discounted Market Price for the Listed Shares (as of the Price Reservation Date). Refer to section 2.3 below for the minimum acceptable Conversion Price for Convertible Securities.

1.6 Price Reservation

- (a) **Methods of Price Reservation:** In order for an Issuer to reserve a proposed offering price (or Conversion Price) pending the completion of applicable Exchange filings and receipt of Conditional Acceptance and Final Acceptance, the Issuer must either issue a comprehensive news release disclosing the proposed terms of the Private Placement or, where permitted, file a completed Price Reservation Form. There must not be any undisclosed Material Changes in respect of the Issuer at the time the Issuer reserves the proposed offering price (or Conversion Price).
- (b) **Restriction on Use of Price Reservation Form:** If Insiders of the Issuer will be subscribing for greater than 25% of the Private Placement, the proposed offering price (or Conversion Price) must be reserved by the issuance of a comprehensive news release and not through the filing of a Price Reservation Form. Where the Issuer has reserved a proposed offering price (or Conversion Price) using a Price Reservation Form and Insider participation in the Private Placement will be greater than 25% of the Private Placement, the price reservation will not apply to the Insider subscriptions exceeding 25% of the Private Placement.
- (c) **Lapsing of Price Reservation:** Whether a proposed offering price (or Conversion Price) is reserved by way of news release or Price Reservation Form, such price reservation will lapse if the Issuer does not file for Exchange acceptance of the proposed terms of the Private Placement (in accordance with section 1.10 below) within 30 days of the Price Reservation Date.
- (d) **Price is Subject to Exchange Acceptance:** Irrespective of the fact that an Issuer has reserved a proposed offering price (or Conversion Price) in accordance with the requirements of this Policy 4.1, the proposed offering price (or Conversion Price) remains subject to Exchange acceptance. Assessing the acceptability of a proposed offering price (or Conversion Price) forms a material component of the Exchange's review of a Private Placement and such assessment takes into consideration, without limitation, the minimum pricing requirements set out in sections 1.5, 1.7 and 2.3 of this Policy and the requirements contained within the definitions of Market Price and Discounted Market Price in Policy 1.1.

1.7 Part and Parcel Pricing Exception

The Exchange has market integrity and public interest concerns with allowing an Issuer to set an offering price (or Conversion Price) for a Private Placement in conjunction with the announcement of an unrelated Material Change. As such, in the event that an Issuer seeks to reserve a proposed offering price (or Conversion Price) for a Private Placement with the Exchange in conjunction with the Issuer's announcement of another event or transaction that constitutes a Material Change for the Issuer (a "**Material Transaction**"), the Exchange will require that the price be not less than the applicable Discounted Market Price (or Market Price in the case of Convertible Securities) following the announcement of the Material Transaction (i.e. the Issuer cannot rely upon the pre-announcement Discounted Market Price or Market Price) unless: (1) the Private Placement and the Material Transaction are announced in the same news release (i.e. a Price Reservation Form may not be used); and (2) the Private Placement is integral to the Material Transaction. In addition, the following conditions must be met to the Exchange's satisfaction in order for the Issuer to rely upon this "part and parcel pricing" exception:

- (a) The proceeds of the Private Placement must be specifically allocated and necessary for the Material Change. A general statement that the funds are for unspecified working capital requirements is not sufficient.
- (b) The Issuer and the Placees (whether Insiders or not) must ensure that they are not breaching the insider or unacceptable trading provisions prescribed by Securities Laws or Exchange Requirements.

If Warrants are to be issued as part of a "part and parcel pricing" Private Placement, the following minimum pricing requirements will be applicable to their exercise price:

- (a) If the Material Transaction is a Qualifying Transaction, Reverse Takeover or Change of Business and the Private Placement is the concurrent financing to the Material Transaction, the exercise price of the Warrants must comply with the requirements of, as applicable, section 1.8(e) or 2.4(e) of this Policy.
- (b) If the Material Transaction is not a Qualifying Transaction, Reverse Takeover or Change of Business, either:
 - (i) the exercise price of the Warrants is set at not less than the following premium to the Market Price before the announcement of the Material Transaction; or

| Market Price | Percentage Premium |
|-----------------|--------------------|
| up to \$0.50 | 50% |
| \$0.51 - \$2.00 | 25% |
| above \$2.00 | 15% |

- (ii) the exercise price of the Warrants is not less than the Market Price after the Material Transaction has been announced (i.e. post-announcement pricing).

Refer to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* for escrow requirements that may be applicable to any securities issued to Principals pursuant to a concurrent financing to a Qualifying Transaction, Reverse Takeover or Change of Business.

1.8 Warrants

In connection with a Private Placement of Listed Shares, an Issuer can issue Warrants to the Placees entitling the holders of the Warrants to purchase additional Listed Shares of the Issuer. An Issuer may not conduct a Private Placement involving only the issuance of Warrants.

The following requirements apply to Warrants issued in connection with a Private Placement of Listed Shares (see section 2.4 below for Warrants issued in connection with a Private Placement of Convertible Securities):

- (a) The Warrants must be essential to the Private Placement.
- (b) On exercise, each Warrant may entitle the holder to receive up to a maximum of one Listed Share. A Warrant may not entitle the holder to receive an additional Warrant (or fractional Warrant) on exercise (i.e. the Exchange will not permit “piggyback” Warrants).
- (c) A Placee can receive up to a maximum of one Warrant for each Private Placement Share purchased by the Placee.
- (d) The term of the Warrants must expire by no later than five years after the date of issuance of the Warrants.
- (e) The exercise price per share of a Warrant must not be less than the Market Price of the Issuer’s Listed Shares as at the Price Reservation Date.
- (f) The Warrants may be transferable, however, the requirements outlined in section 1.3(b) and (c) above may apply to the Warrants and the Listed Shares issued on exercise of the Warrants.

Guidance Note:

N.1 **Shares for Debt:** Where Placees are creditors of the Issuer and the proceeds of the Private Placement are used to repay the debts to such creditors, the requirements of Policy 4.3 will apply and those Placees who are creditors and Non-Arm’s Length Parties to the Issuer must not be granted Warrants on that part of their subscription that equals the amount of debt being repaid.

1.9 News Releases

Without limiting the public disclosure requirements prescribed by Policy 3.3 – *Timely Disclosure* (“**Policy 3.3**”) and Securities Laws, the following public disclosure requirements are applicable within the context of a Private Placement:

- (a) **Initial Announcement:** Initial public disclosure of the Private Placement must be made by the Issuer, by way of news release, at the time the proposed offering price (or Conversion Price) is reserved (see section 1.6(a) above) or, if price reservation is done by way of a Price Reservation Form, upon the earlier of the Private Placement constituting a Material Change and 30 days after the Price Reservation Date. The news release must disclose the material details of the proposed Private Placement, which at a minimum shall include a description of the number and type of securities to be issued, the offering price (or Conversion Price) per security and the intended principal uses of proceeds. If it is a Brokered Private Placement, the news release must include the name of the Agent. If the Private Placement is a Related Party Transaction, the news release must also include the applicable disclosure as required by Policy 5.9 – *Protection of Minority Securityholders in Special Transactions* (“**Policy 5.9**”).
- (b) **Material Changes:** There must not be any undisclosed Material Changes in respect of the Issuer at the time the Issuer reserves the proposed offering price (or Conversion Price). The Issuer must also disclose any Material Changes in respect of the Issuer which occur during the course of the Private Placement process. Any such Material Changes may affect the minimum acceptable offering price or Conversion Price permitted by the Exchange.
- (c) **Withdrawal or Termination of Private Placement:** If, following the issuance of the news release under section 1.9(a), the Issuer’s application for Exchange acceptance of the Private Placement is withdrawn or the Issuer decides to terminate or otherwise not proceed with the Private Placement, the Issuer must promptly issue a news release disclosing the fact that the Issuer will not be proceeding with the previously announced Private Placement and the pertinent details of the withdrawal or termination.
- (d) **Extension of Private Placement:** In circumstances where the Exchange has consented to the Issuer closing the Private Placement outside of the timeframes prescribed by section 1.11(d) below, the Exchange will generally require the Issuer to immediately issue a news release that provides an update on the status of the closing of the Private Placement.
- (e) **Closing News Release:** Immediately following the closing of the Private Placement (or the closing of each tranche if the Private Placement closes in more than one tranche), the Issuer must issue a news release announcing the closing of the Private Placement. The news release must disclose the material details of the completed Private Placement, which at a minimum shall include a description of the number and type of securities issued, the gross proceeds raised by the Issuer, the intended principal uses of proceeds, the particulars of any applicable Resale

Restrictions (including the expiry dates of any hold periods), a description of any bonus, finder's fee, commission, Agent's Option or other compensation to be paid in connection with the Private Placement and, if such compensation is paid in securities, a description of the number and type of securities. If the Private Placement is a Related Party Transaction, the news release must also include the applicable disclosure as required by Policy 5.9.

Guidance Note:

- N.1 **Requirement for Initial News Release:** The Exchange expects that nearly all Private Placements will involve (or otherwise require) the issuance of both the initial news release prescribed by section 1.9(a) and the closing news release prescribed by section 1.9(e). The Exchange, however, acknowledges that there may be circumstances where the initial news release is not necessary and that only the closing news release is required. This may include Private Placements where the offering price (or Conversion Price) is reserved by way of a Price Reservation Form, the Private Placement closes within 30 days of the Price Reservation Date and the proposed Private Placement does not constitute a Material Change at any time prior to the closing of the Private Placement. In assessing this matter, Issuers should reference the definition of "Material Change" under Securities Laws, in particular as pertaining to the notion that an Issuer's decision to proceed with a Private Placement may, in of itself, constitute a Material Change.

1.10 Filing Requirements

Within 30 calendar days after the Price Reservation Date, the Issuer must apply for the Exchange's acceptance of the proposed terms of the Private Placement. At the outset, the Issuer may apply for either Conditional Acceptance or Final Acceptance. Final Acceptance should not be sought (and will not be provided by the Exchange) unless and until the Issuer is in a position to provide a fully complete Notice/Form 4B and all other applicable information and documentation to the Exchange. Failure to apply for, at a minimum, Conditional Acceptance within this 30 day time period will result in the reservation of the proposed offering price or Conversion Price lapsing.

The following filing requirements apply to an application for Exchange acceptance of a Private Placement. If the Issuer is only seeking Conditional Acceptance at the outset (with Final Acceptance to be sought once all applicable information and documentation is available), the Issuer need only provide, at a minimum, the Notice (see (a) below) and the applicable filing fees (see (b) below). All other relevant information, documentation and filing fees must be provided in order for the Exchange to provide Final Acceptance.

- (a) A Notice/Form 4B. If the Issuer is seeking Conditional Acceptance, it need not (but may still) complete the Placee information or Issuer declaration required by the Notice. If the Issuer is seeking Final Acceptance, all information and confirmations required by the Final Notice/Final Form 4B must be provided and the Issuer declaration must be completed. For greater certainty, an Issuer that does not file a Final Notice at the outset will only be able to seek Conditional Acceptance and must still subsequently file the Final Notice in order to obtain Final Acceptance.

- (b) The applicable filing fees. In order to obtain Conditional Acceptance, the minimum filing fees for the Private Placement under Policy 1.3 – *Filing Fees* (“**Policy 1.3**”) must first be provided to the Exchange. In order to obtain Final Acceptance, the full filing fees for the Private Placement under Policy 1.3 must first be provided to the Exchange.
- (c) Personal Information Forms or, if applicable, Declarations for any new Insiders that will be created as a result of the completion of the Private Placement.
- (d) Where applicable, a Form 4C - *Corporate Placee Registration Form* (“**Form 4C**”), or equivalent information if filed electronically through V-File, for Placees that are not individuals. See section 1.15 below.
- (e) Confirmation of whether the Private Placement constitutes a Related Party Transaction and, as applicable, how the Issuer is complying with the disclosure, valuation and shareholder approval requirements prescribed by Policy 5.9.
- (f) Where applicable, evidence of Shareholder approval for the Private Placement. See section 1.12 below.
- (g) Where applicable (and as otherwise required by Policy 5.1 – *Loans, Loan Bonuses, Finder’s Fees and Commissions* (“**Policy 5.1**”)), a copy of any agreement relating to finder’s fees or commissions payable by the Issuer in respect of the Private Placement.
- (h) Any other information or documentation the Exchange may require.

1.11 Closing of the Private Placement

- (a) **Exchange Acceptance Required Before Closing:** Following receipt of the information, documentation and filing fees prescribed by section 1.10 above and the resolution of any issues to the Exchange’s satisfaction, the Exchange will provide, as applicable, its Conditional Acceptance or Final Acceptance. Subject to (b) and (c) below, the Issuer can close the Private Placement following receipt of Conditional Acceptance. In all other situations, but subject to (b) below, the Issuer may only close the Private Placement following receipt of Final Acceptance.
- (b) **Changes to Terms and Material Changes:** If, prior to closing either: (1) any of the particulars of the Private Placement or related information has changed from what was set forth in the Notice/Form 4B; or (2) any Material Changes (other than the Private Placement) are disclosed or required to be disclosed by the Issuer, the Issuer must immediately advise the Exchange as this may impact the continued validity of the Conditional Acceptance or Final Acceptance, as the case may be, and, correspondingly, the Issuer’s ability to close the Private Placement.
- (c) **Limitations on Closing on Conditional Acceptance:** In situations where the Exchange has provided Conditional Acceptance and:

- (i) Insiders have subscribed for more than 25% of the Private Placement and such amount was not disclosed in the Notice;
- (ii) subscriptions by members of the Aggregate Pro Group were not disclosed in the Notice; or
- (iii) a new Insider or a new Control Person will be created as a result of the Private Placement,

the Issuer may not close on the subscriptions from those Persons until the Issuer has filed the Final Notice (with all applicable Placee information completed) and the Exchange has provided its Final Acceptance. Alternatively, in the case of Persons described in (i) and (ii) only, the Issuer may close on the subscriptions from those Persons into escrow pending completion of the filing of the Final Notice and the Exchange providing its Final Acceptance. In this context, closing into escrow means the securities shall not be released to the Placee(s) and the subscription proceeds shall not be released to the Issuer until the Exchange has provided its Final Acceptance.

In addition, the terms of the Conditional Acceptance may impose further limitations or restrictions on the Issuer's ability to close the Private Placement. These may include, for example, closing being conditional upon the completion of a concurrent Material Transaction (see section 1.7 above), the receipt of Shareholder approval (in circumstances where Shareholder approval for the Private Placement, or portion thereof, is required) or completion of the Exchange's assessment of the suitability of new Insiders. Any such limitations or restrictions will be specifically communicated by the Exchange to the Issuer.

- (d) **Timeframe for Closing:** Whether closing of the Private Placement occurs subsequent to the Exchange providing its Conditional Acceptance or Final Acceptance, closing must occur within the following timeframes, except as may otherwise be specifically consented to by the Exchange:
 - (i) In the case of a non-Brokered Private Placement, the Issuer must close the Private Placement within the greater of 15 days from the date the Exchange provides its Conditional Acceptance or 45 days from the Price Reservation Date.
 - (ii) For a Brokered Private Placement, the Issuer must close the Private Placement within the greater of 30 days from the date the Exchange provides its Conditional Acceptance or 60 days from the Price Reservation Date.

Circumstances where the Exchange will generally consent to an extension of the foregoing timeframes (whether in respect of some or all of the Private Placement) include if the Private Placement (or portion thereof) is subject to Shareholder approval or the completion of the Exchange's assessment of the suitability of new Insiders. In addition, the Exchange may, at its discretion, agree to extend the foregoing timeframes if the offering price (or Conversion Price) remains acceptable to the Exchange based upon the then current Discounted Market Price or Market Price, as applicable. Refer to section 1.9(d) above for applicable news release requirements.

- (e) **Confirmation of Closing, Final Filings and Final Exchange Bulletin:** If the Issuer closes the Private Placement following receipt of Conditional Acceptance, it must confirm closing of the Private Placement with the Exchange and file the Final Notice and the balance of the information, documentation and filing fees required by section 1.10 above within five business days of the closing of the last tranche of the Private Placement. The Exchange will review the Final Notice and final filings and advise the Issuer of any issues with the final terms of the Private Placement. Once any such issues are resolved to the Exchange's satisfaction, the Exchange will provide its Final Acceptance and issue an Exchange bulletin which provides confirmation to the market of both the Exchange's final acceptance of the terms and completion of the Private Placement.

If the Issuer closes the Private Placement following receipt of Final Acceptance, it must confirm closing of the Private Placement with the Exchange within five business days of the closing of the last tranche of the Private Placement. The Exchange will then issue an Exchange bulletin which provides confirmation to the market of both the Exchange's final acceptance of the terms and completion of the Private Placement.

1.12 Shareholder Approval

- (a) If the issuance of the Private Placement Shares and the Listed Shares issued on conversion of a Warrant or Convertible Security will result in, or is part of a series of transactions that will result in, the creation of a new Control Person, the Exchange will require the Issuer to obtain prior Shareholder approval of the issuance of such securities.
- (b) The Exchange may also require prior Shareholder approval to be obtained by the Issuer for a Private Placement that appears to be undertaken as a defensive tactic to a takeover bid. See National Policy 62-202 - *Take-Over Bids - Defensive Tactics*.
- (c) If the issuance of securities pursuant to a Private Placement constitutes a Related Party Transaction, the Issuer will be required to obtain Shareholder approval for the Private Placement in accordance with the requirements of Policy 5.9.
- (d) To the extent reasonably possible, an Issuer must seek to obtain any Shareholder approval required by this section 1.12 within the timeframes prescribed by section

1.11(d)(i) or (ii) above. In the event that the Issuer requires more time to seek the required Shareholder approval, it must:

- (i) prior to the expiry of the timeframes prescribed by sections 1.11(d)(i) or (ii) above, advise the Exchange of the expected timeframe required to solicit the Shareholder approval;
 - (ii) seek to obtain the Shareholder approval in as expeditious a manner as is reasonably possible; and
 - (iii) comply with any additional conditions the Exchange may impose to mitigate its concerns with respect to the ongoing reservation of the offering price (or Conversion Price) pending Shareholder approval (such as, for example, the Issuer ensuring that the Placee's subscription remains irrevocable during the applicable time period).
- (e) Any Shareholder approval required by this section 1.12 may be obtained by ordinary resolution at a general meeting or by the written consent of Shareholders holding more than 50% of the issued Listed Shares, provided that:
- (i) where the transaction will result in a new Control Person, the votes attached to the Listed Shares held by the new Control Person and its Associates and Affiliates are excluded from the calculation of any such approval or written consent; and
 - (ii) where the Private Placement is subject to Policy 5.9:
 - (A) any such written consent will be subject to the Issuer obtaining any discretionary exemption required under Policy 5.9 and applicable Securities Laws, and
 - (B) any votes attaching to Listed Shares are excluded in accordance with the minority approval requirements of Policy 5.9.
- (f) In the case of the creation of a new Control Person, the Information Circular for the Shareholders meeting must disclose the Private Placement in sufficient detail to permit Shareholders to form a reasoned judgement concerning the Private Placement, including the details of the consideration involved, the identity of the new Control Person and their securityholdings upon completion of the Private Placement. In the case of a Related Party Transaction under Policy 5.9, the applicable disclosure required by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* must be included in the Information Circular. The Issuer must provide a copy of the Information Circular and the minutes of the meeting to the Exchange.
- (g) If Shareholder approval is obtained by written consent, the consenting Shareholders must have received the same information about the transaction that they would have received in an Information Circular for a meeting considering the

proposed Private Placement. The Issuer must ensure that the Shareholders from whom written consent is solicited are not provided with any Material Information that is not already in the Issuer's public record. The Issuer must file copies of the written consents with the Exchange and be in a position to confirm the validity of the consents to the Exchange's satisfaction.

- (h) Issuers should obtain Conditional Acceptance before the Information Circular is mailed or request for consent is sent to Shareholders. If Exchange acceptance is not obtained in advance, the Information Circular or other disclosure sent to Shareholders must clearly state that the proposed transaction is subject to Exchange approval.

1.13 Use of Proceeds

The Exchange can reject a Private Placement if the Notice does not provide adequate information on the allocation of funds or if unallocated funds are excessive. The amount that would be considered excessive will depend on the activities of the Issuer and is not subject to a stated standard. The following are examples of acceptable uses of proceeds:

- (a) corporate overhead for a one year period;
- (b) settlement of current debts (other than to the Placees); and
- (c) a reserve for asset acquisition investigations.

1.14 Finder's Fees or Commissions

The requirements of Policy 5.1 under the headings "Finder's Fees and Commissions" apply to all commissions or similar compensation proposed to be paid by the Issuer to brokers, agents or finders in connection with a Private Placement.

1.15 Corporate Placee Information

If a Placee whose identity is required to be included in a Notice (per the requirements of the Notice) is not an individual (i.e. the Placee is a Company) (a "**Corporate Placee**"), the Exchange will require certain information about the Corporate Placee. If the Issuer is filing the Notice(s) in paper format, the Issuer must obtain a completed Form 4C from each such Corporate Placee and file the same with the Exchange in connection with the Issuer's application for acceptance of the Private Placement. If the Issuer is filing the Notice(s) in electronic format through V-File, it will be required to provide the relevant information about each such Corporate Placee as part of the electronic filing.

2. Private Placement of Convertible Securities

2.1 General

- (a) An Issuer may conduct a Private Placement of Convertible Securities. Except as varied below, all the general provisions in Part 1 of this Policy apply.

- (b) The Convertible Securities may be transferable, however, the requirements outlined in section 1.3(b) and (c) above may apply to the Convertible Securities and the Listed Shares issued on conversion of the Convertible Securities.

2.2 Principal and Interest/Dividend Obligations

- (a) The Exchange does not prescribe any specific limits for interest or dividend rates on Convertible Securities. The Exchange does, however, expect and require that any interest or dividend rate be commercially reasonable taking into consideration the circumstances of the Issuer and the risks to the Placee. In this regard, the Exchange may, at its discretion, request the Issuer to provide a satisfactory analysis of the reasonableness of the interest or dividend rate.
- (b) The terms of a Convertible Security may provide that any accrued interest or dividends may be paid through the issuance of securities of the Issuer, however, the number and terms of any securities issued to pay such accrued interest or dividends must be based upon a price per security that is not less than the Market Price of the Listed Shares at the time the accrued interest or dividends become payable. For greater certainty, the Market Price as at the Price Reservation Date for the originating Private Placement cannot be used for these purposes. Furthermore, any such payment of accrued interest or dividends in securities of the Issuer will be subject to prior Exchange acceptance (with the application for Exchange acceptance to be made at the time the accrued interest or dividends becomes payable).

2.3 Conversion Terms

- (a) The minimum Conversion Price must never be less than the Market Price (as of the Price Reservation Date). Furthermore, if the Convertible Security has a term of greater than one year, the minimum allowable Conversion Price after the first year must be the greater of the Market Price and \$0.10. For greater certainty, if, for example, the applicable Market Price on issuance of the Convertible Security is \$0.07, the minimum allowable Conversion Price will be \$0.07 in the first year of the term of the Convertible Security and \$0.10 thereafter.
- (b) The Conversion Period must expire no later than five years from the date of issuance of the Convertible Securities.

2.4 Warrants

- (a) The Issuer may grant Convertible Securities with a Warrant to purchase Listed Shares of the Issuer to a Placee if:
 - (i) the Warrant is essential to the Private Placement; and
 - (ii) either:

- (A) the Convertible Securities are convertible into units, with each unit consisting of a Listed Share and a Warrant (or fraction of a Warrant) (an “**Underlying Warrant**”); or
 - (B) the Warrants are issued with, and detachable directly from, the Convertible Security (a “**Detachable Warrant**”).
- (b) On exercise, each Warrant may entitle the holder to receive up to a maximum of one Listed Share. A Warrant may not entitle the holder to receive an additional Warrant (or fractional Warrant) on exercise (i.e. the Exchange will not permit “piggyback” Warrants).

In the case of Underlying Warrants, the number of Warrants must not exceed the number of Listed Shares issuable on conversion of the Convertible Securities.

In the case of Detachable Warrants, the number of Warrants must not exceed the number of Listed Shares that may be issued on full conversion of the Convertible Securities based upon the initial Conversion Price of the Convertible Securities.

- (c) In the case of Underlying Warrants, the term of the Warrants must expire by no later than five years after the date the Convertible Securities were issued.
- (d) In the case of Detachable Warrants, the term of the Warrants must expire by the earlier of: (i) five years after the date the Convertible Securities were issued; and (ii) the end of the Conversion Period. However, if the Conversion Period ends less than one year from the date of issuance of the Convertible Securities, the term of the Detachable Warrants may be up to one year from the date of issuance of the Convertible Securities.
- (e) The exercise price per share of a Warrant must not be less than the Market Price of the Issuer’s Listed Shares as at the Price Reservation Date.
- (f) The Warrants may be transferable, however, the requirements outlined in section 1.3(b) and (c) above may apply to the Warrants and the Listed Shares issued on exercise of the Warrants.

3. Amending Warrant Terms

3.1 General

The amendment of Warrant terms may be considered to be the distribution of a new security under Securities Laws and require prospectus and securities registration exemptions. Issuers should consult legal counsel before applying for an amendment to Warrant terms.

Any amendment of Warrant terms is subject to Exchange acceptance. An Issuer can apply to the Exchange to amend the terms of a class of Warrants issued pursuant to a Private Placement if it meets the following conditions:

- (a) the Warrants are not listed for trading;
- (b) the exercise price of the Warrants is higher than the current Market Price;
- (c) no Warrants of the class have been exercised within the last six months;
- (d) the Warrants were not issued to an Agent, broker or finder as compensation for services;
- (e) at least two weeks remain before the expiry date of the Warrants; and
- (f) the Issuer has issued a news release disclosing its intent to amend the Warrants, the particulars of the proposed amendments and the fact that the amendments are subject to Exchange acceptance.

3.2 Extension of the Warrant Term

Subject to term limitations prescribed by sections 2.4(c) and (d) above in respect of Warrants issued in connection with Convertible Securities, the term for exercise of a Warrant may only be extended to a date that is five years after its date of issuance. For example, if an Issuer initially issued a Warrant with a one year term, the maximum extension would be for four additional years.

3.3 Repricing Warrants

The Exchange will generally consent to an amendment to the exercise price of Warrants if the following conditions are satisfied:

- (a) either:
 - (i) the amended exercise price is at or above the Market Price as at the Price Reservation Date for the originating Private Placement; or
 - (ii) the amended exercise price is below the Market Price as at the Price Reservation Date for the originating Private Placement but, concurrent with the exercise price amendment, the term of the Warrants is also being amended to include an accelerated expiry clause such that the exercise period of the Warrants will be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the Warrant (the "**Premium Trading Days**"), the closing price of the Listed Shares exceeds the exercise price of the Warrants by: (1) 25% or more if the exercise price is \$0.50 or less; (2) 20% or more if the exercise price is between \$0.51 and \$2.00; and (3) 15% or more if the exercise price is greater than \$2.00 (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day);

- (b) the amended exercise price is not less than the average closing price of the Issuer's Listed Shares for the ten Trading Days immediately prior to the date of the news release required by section 3.1(f) above;
- (c) the exercise price of the Warrant has not previously been amended;
- (d) the Issuer's directors, officers and Control Persons beneficially own, in the aggregate, no more than 10% of the total number of Warrants to be repriced; and

Guidance Note:

N.1 **Pro Rata Repricing:** If the Persons referenced in (d) above beneficially own, in the aggregate, more than 10% of the class of Warrants being repriced, the aggregate number of their Warrants that can be repriced will be limited to 10% of the total number of repriced Warrants (i.e. not all of such Persons' Warrants can be repriced in these circumstances). In these circumstances, the repricing of the Warrants held by such Persons will be done on a *pro rata* basis amongst said Persons.

- (e) if (a)(ii) above is applicable (or the term of the Warrants is otherwise being reduced in connection with the repricing of the Warrants), all Warrant holders consent to the amendment (or, if the Warrants are subject to a Warrant indenture, the repricing receives the level of Warrant holder consent prescribed by the indenture).

3.4 Filing Requirements

The following filing requirements apply to an application for Exchange acceptance of an amendment to Warrant terms:

- (a) a completed Form 4D – *Warrant Amendment Summary Form and Certification*;
- (b) the applicable fee as prescribed in Policy 1.3; and
- (c) any other information or documentation the Exchange may require.

4. Amending Convertible Securities

4.1 General

The amendment of the terms of a Convertible Security may be considered to be the distribution of a new security under Securities Laws and require prospectus and securities registration exemptions. Issuers should consult legal counsel before applying for an amendment to the terms of a Convertible Security.

Any amendment to the terms of a Convertible Security (including, without limitation, a change to the Conversion Price or an extension to the Conversion Period) is subject to Exchange acceptance. For amendments involving either a change to the Conversion Price or an extension to the Conversion Period, the Exchange will classify the amendment as either:

- (1) an “**Amendment**” if the amended Conversion Price and Conversion Period would have been acceptable to the Exchange as at the Price Reservation Date for the originating Private Placement (e.g. the Conversion Price was originally set at a premium to the Market Price as of such Price Reservation Date and is now being amended to a price equal to or higher than such Market Price); or
- (2) a “**Replacement**” if the amended Conversion Price or Conversion Period would not have been acceptable to the Exchange as at the Price Reservation Date for the originating Private Placement (e.g. the amended Conversion Price is less than the Market Price as of such Price Reservation Date).

An Issuer can apply to the Exchange to amend the terms of a class of Convertible Securities issued pursuant to a Private Placement if it meets the following conditions:

- (a) the class of Convertible Securities is not listed for trading;
- (b) the existing Conversion Price is higher than the current Market Price as at the date of the news release required by section 4.1(d) below;
- (c) in the case of a Replacement either: (i) no more than 60 days remain in the original Conversion Period and the proposed amendment will not take effect until the expiry of the original Conversion Period; or (ii) the proposed amendment forms a part of a comprehensive restructuring of the Issuer’s capital that is being undertaken by the Issuer; and
- (d) the Issuer has issued a news release disclosing its intent to amend the Convertible Securities, the particulars of the proposed amendments and the fact that the amendments are subject to Exchange acceptance.

4.2 Extending the Conversion Period

If the Conversion Period is to be extended, the new Conversion Period cannot exceed five years from the date of amendment of the Convertible Security.

If the Convertible Securities entitle the holder to receive a Warrant upon conversion, the Conversion Period cannot be extended if the exercise price of the Underlying Warrants is less than the Market Price as at the date of the news release required by section 4.1(d) above. Alternatively, in conjunction with the extension of the Conversion Period, the exercise price of the Underlying Warrants must be amended such that it is not less than the Market Price as at the date of the news release required by section 4.1(d) above.

Guidance Note:

- N.1 **No Automatic Extension to Term of Detachable Warrants:** If Detachable Warrants were originally issued with the Convertible Securities (see section 2.4(a) above), Exchange acceptance of an amendment to the Conversion Period of the Convertible Securities will not constitute Exchange acceptance of a corresponding amendment to the term of said Warrants. For example if the original Conversion Period was two years (meaning that the maximum term of the Warrants was also two years (see section 2.4(d) above)) and the Conversion Period was subsequently

extended to five years, the term of the Warrants would not automatically extend to five years. If the Issuer wants to extend the term of the Warrants it will have to separately apply for Exchange acceptance of this amendment in accordance with Part 3 of this Policy.

4.3 Amending the Conversion Price

The amended Conversion Price cannot be less than the greater of \$0.10 and the Market Price as of the date the news release required by section 4.1(d) above is disseminated. In the case of a Replacement that involves an expiring Convertible Security effectively being replaced with a new Convertible Security, the Exchange may accept a Conversion Price that complies with section 2.3(a) above (with the Price Reservation Date for these purposes being the date the news release required by section 4.1(d) above is disseminated).

4.4 Filing Requirements

The following filing requirements apply to an application for Exchange acceptance of an amendment to Convertible Securities:

- (a) an application letter setting out: (i) the number and principal existing terms of the Convertible Securities to be amended; (ii) the date of Exchange acceptance of the originating Private Placement and, if applicable, any previous amendments to the Convertible Securities; and (iii) the details of the proposed amendment(s) for which Exchange acceptance is being sought;
- (b) if the amendment involves a reduction to the Conversion Price, the application letter must provide the particulars of any holder of Convertible Securities that would become a new Insider or new Control Person of the Issuer following the amendment assuming the immediate issuance of all Listed Shares underlying both their Convertible Securities and the Warrants issued to them in connection with the Convertible Securities;
- (c) the applicable fee as prescribed in Policy 1.3 (for a Replacement, the transaction will be treated as a new Private Placement of the Convertible Securities for filing fee purposes); and
- (d) any other information or documentation the Exchange may require.