



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.

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 Private Placements and Acquisitions and Dispositions of Non Cash Assets).

The main headings in this Policy are:

1. Interpretation
2. Public Disclosure
3. Sponsorship and Trading Halt
4. Shareholder Approval
5. Procedural Steps
6. Application of Minimum Listing Requirements
7. Vendor Consideration and Escrow
8. Treasury Orders and Resale Restrictions
9. Financial Statements
10. Other Requirements

1. Interpretation

1.1 In this Policy:

“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 of this Policy for guidance on the general application of this definition to vertical or horizontal business integrations and resource Issuers.

“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;
- (b) the parties to the COB or RTO;
- (c) the value of the Target Assets 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.

“Disclosure Document” means the document describing the transaction, required to be distributed to shareholders and 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 or Filing Statement (Form 3D2) to be filed when shareholder approval is sought by consent.

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

“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.

“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 an 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. 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, or the Vendors of the Target Assets.

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

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. Issuers are encouraged to contact the Exchange for a pre-filing consultation to ascertain whether such a transaction will be deemed 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 Where an Issuer undertakes a transaction that forms part of a COB or RTO (including a Private Placement, a shares for debt transaction, an acquisition or a name change), it must disclose this information in its Exchange filing application and in the news release disclosing the transaction.

2. Public Disclosure

2.1 Initial News Release

When a COB Agreement or an RTO Agreement is reached, the Issuer must immediately submit a comprehensive news release to the Listed Issuer Services Department of the Exchange for review. The news release must include:

- (a) the date of the COB Agreement or RTO Agreement;
- (b) a description of the Target Assets, including:
 - (i) the industry sector in which the Resulting Issuer will be involved upon the Completion Date;
 - (ii) the history and nature of business previously conducted by the Issuer, and
 - (iii) a summary of any available significant financial information (with an indication as to whether such information is audited or unaudited and the date 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) the full names and jurisdictions of residence of each of the Vendors and, if any of the Vendors is a Company, the full name and jurisdiction of incorporation or creation of that Company and the name and jurisdiction of residence of each of the individuals who directly or indirectly beneficially holds a controlling interest in, or who otherwise controls or directs that Company;
- (f) identification of:
 - (i) any direct or indirect beneficial interest of any of the Non-Arm's Length Parties of the Issuer in the Target Assets;
 - (ii) any Non-Arm's Length Parties of the Issuer that are Insiders of any Target Company; and

- (iii) any relationship between or among the Non-Arm's Length Parties of the Issuer and the Non-Arm's Length Parties of the Target Company and the names and backgrounds of all Persons who will constitute Principals of the Resulting Issuer;
- (g) a description of any financing arrangement for or in conjunction with the COB or RTO including the amount, security, terms and use of proceeds;
- (h) a description of any deposit or loan to be made;
- (i) an indication of any significant conditions required to complete the COB or RTO;
- (j) if a Sponsor has been retained, identification of the Sponsor of the COB or RTO and the terms of sponsorship;
- (k) the following statement:

“Completion of the transaction is subject to a number of conditions, including Exchange acceptance and disinterested Shareholder approval. 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 and/or Filing Statement] to be prepared in connection with the transaction, any information released or received with respect to the [COB or RTO] 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 has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press 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 to [Insert name of Issuer] 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, and
- (n) all other requirements of Policy 3.3 – *Timely Disclosure*.

The Exchange will co-ordinate the timing of the news release with the Issuer in order to ensure proper dissemination.

2.2 Subsequent News Releases

The Issuer must issue a news release:

- (a) every time there is Material Change relating to the COB or RTO and in accordance with applicable Securities Laws;
- (b) identifying the Sponsor;

- (c) every 30 days following the initial news release referred to in section 2.1, to update the status of the COB and RTO;
- (d) when an Issuer intends to continue a trading halt. The news release must disclose the Issuer's intention to remain halted; and
- (e) when the COB or RTO has closed.

3. Sponsorship and Trading Halt

3.1 When a Sponsor is Required

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

3.2 Initial Trading Halt

As soon as an Issuer notifies the Exchange of a proposed COB or RTO, the securities of the Issuer will be immediately subject to a trading halt.

3.3 Pre-Filing Consultation

In order to minimize the halt in trading, the Exchange recommends that the Issuer conduct a pre-filing consultation with the Exchange, particularly where the proposed COB or RTO may involve unique or unusual circumstances.

3.4 Requirements for Reinstatement of Trading

The securities of the Issuer will remain halted until each of the following has occurred:

- (a) where the transaction is subject to sponsorship, the Exchange has received a Sponsorship Acknowledgement Form (Form 2G) as required by Policy 2.2 - *Sponsorship and Sponsorship Requirements*, which confirms that:
 - (i) the Sponsor has reviewed and has no concerns respecting the requisite Personal Information Forms (Form 2A) and, if applicable, any Declarations;
 - (ii) the securities of the Issuer held by officers, directors, other Insiders and Promoters 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"); and
 - (iii) a comprehensive news release prepared and accepted by the Exchange in accordance with section 2.1, has been issued; or
- (b) where the transaction is not subject to sponsorship:
 - (i) the Exchange is provided with written confirmation from the Issuer's legal counsel, confirming that a Pooling Arrangement is in place; and

- (ii) a comprehensive news release prepared and accepted by the Exchange in accordance with section 2.1, has been issued;
- (c) the Exchange has received a Personal Information Form (Form 2A) or, if applicable, a Declaration (Form 2C1) for each person who will be a director, senior officer, Promoter (including a Promoter as described in Policy 3.4 – *Investor Relations, Promotional and Market – Making Activities*) or other Insider of the Resulting Issuer;
- (d) the Exchange has completed all preliminary background searches it considers necessary or advisable; and
- (e) 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.

3.5 Continuation of Halt/Subsequent Trading Halt

Where the conditions in Section 3.4 of this Policy 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 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.

4. Shareholder Approval

- 4.1 An Issuer must obtain Shareholder approval of a COB or an RTO before the Completion Date.
- 4.2 Subject to Policy 5.9 and applicable corporate 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. If shareholder approval is obtained by consent, the Issuer must provide shareholders with a Filing Statement (Form 3D2) prior to obtaining their consent. The Filing Statement must be prepared and delivered in accordance with sections 5.3 and 5.7 of this Policy, and filed via SEDAR.

- 4.3 Shareholder approval must be obtained at a meeting or by 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, and
 - (ii) Non-Arm's Length Parties to the COB or RTO, and
 - (c) by means of minority approval pursuant to Policy 5.9 if the transaction is subject to the provisions of Policy 5.9.
- 4.4 Where the proposed COB or RTO is a transaction that is subject to Policy 5.9, the Exchange may accept the written consent of shareholders subject to the conditions in section 4.3 and the grant of any applicable exemption pursuant to Policy 5.9 and applicable Securities Laws.

5. Procedural Steps

5.1 Filing of Initial Documents

The Initial Documents must be filed with the Exchange within 75 days after the news release announcing the COB Agreement or RTO Agreement. Failure to submit documents may result in a halt in trading.

5.2 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 name of the Issuer;
 - (ii) a summary of the transaction and identification of all material and any unusual terms;
 - (iii) the particular registration and Prospectus exemptions, if any, being relied upon if securities are to be issued as part of the transaction;
 - (iv) confirmation of whether the proposed COB or RTO is subject to Policy 5.9; and
 - (vi) a list of the enclosed documents;

- (b) a draft copy of the Disclosure Document (Form 3D1) where shareholder approval is sought at a meeting or the draft Filing Statement (Form 3D2) where shareholder approval is sought by consent, including the financial statements required pursuant to section 9 of this Policy;
- (c) Form 2J – *Securityholder Information*;
- (d) if applicable, a preliminary Sponsor Report accompanied by confirmation that the Sponsor has reviewed the Disclosure Document on a preliminary due diligence basis. See Policy 2.2 – *Sponsorship and Sponsorship Requirements*;
- (e) a list of the material contracts that the Issuer or the Target Company has entered into in the last 12 months which list has not been previously filed with the Exchange;
- (f) a copy of any material contract that the Issuer or Target Company has entered into relating to:
 - (i) the issuance of securities,
 - (ii) a loan or advance of funds to the Target Company,
 - (iii) a Non-Arm’s Length Party Transaction, or
 - (iv) the assets upon which the listing of the Resulting Issuer will be based;
- (g) a copy of each Geological Report or other technical report required to be filed with the Exchange, and a certificate of qualifications and independence from the author of each report;
- (h) in the case of a non-resource Resulting Issuer, a copy of a business plan for the next 12 month period;
- (i) a valuation or appraisal prepared in support of the value ascribed to the Target Assets which includes a certificate of independence and qualification from the author;
- (j) details of any other evidence of value as contemplated by Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*; and
- (k) the applicable minimum fee as prescribed by Policy 1.3 - *Schedule of Fees*.

5.3 Disclosure Document and Certificates

- (a) The Issuer must prepare Disclosure Document for an RTO or COB which must contain full true and plain disclosure relating to the Issuer 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, where applicable.

- (b) The Disclosure Document must include a manually executed certificate page signed by a duly authorized officer of the Sponsor if the Issuer has not obtained a waiver of sponsorship, and:
- (i) the Resulting Issuer will be a mining issuer or an oil and gas issuer, the Principal Properties of which are outside of Canada where either (A) the majority of the Resulting Issuer's board of directors will not be Canadian or U.S. residents or individuals who have a demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange (in which case the Issuer must provide the Exchange with evidence that such regulatory regime is comparable (in terms of registration, regulatory oversight, and filing requirements)); or (B) any control person of the Resulting Issuer is not a Canadian or U.S. resident;

or

 - (ii) the Resulting Issuer will be an industrial, technology, real estate, investment or research and development issuer where: (A) a principal component of its business operations will be located outside of Canada or the U.S.; (B) the majority of the board of directors will not be Canadian or U.S. residents; or (C) any control person of the Resulting Issuer is not a Canadian or U.S. resident.
- (c) If certification by the Sponsor is required, the certificate page of the Disclosure Document must state as follows:

"To the best of our information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to [insert name of Issuer] assuming completion of the [describe transaction]."

5.4 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 to approve the COB or RTO. Where the transaction has not been sponsored, the Exchange will require additional time to review the Initial Documents and to confirm that appropriate due diligence measures have been undertaken by the Issuer and its advisors.

5.5 Conditional Approval of the Exchange

Following the resolution of all material deficiencies to the satisfaction of Exchange staff, the application is submitted to the Listings Committee for consideration. If the COB or RTO is accepted, the Exchange will issue a conditional acceptance letter advising that the application has been accepted subject to certain conditions including Shareholder approval and the submission and satisfactory review of all Pre-Approval Documents and all Post-Approval Documents.

5.6 Pre-Approval Documents

Following the Exchange's conditional acceptance of the Issuer's application, the Issuer must file its Pre-Approval Documents with the Exchange. The Pre-Approval Documents include:

- (a) a copy of the Disclosure Document to be provided to Shareholders where applicable;
- (b) the financial statements as required by section 9 of this Policy, included in the Disclosure Document, including balance sheets originally signed by two directors and originally signed auditor's reports, or compilation reports, as the case may be;
- (c) a copy of any material contract or agreement previously filed with the Exchange in draft form;
- (d) a consent letter from any auditor, engineer, appraiser or other expert (an "Expert") named in the 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 inclusion of or reference to the Expert's Report, and state that the Expert has read the Disclosure Document and has no reason to believe that there are any misrepresentations contained in it which are derived from the Expert's Report or of which the Expert is otherwise aware. In the case of the consent of an auditor, the letter must also state:
 - (i) the date of the financial statements on which the Report is based, and
 - (ii) that the auditor has no reason to believe that there are any misrepresentations in the information contained in the Disclosure Document:
 - (A) derived from the financial statements on which the auditor has reported, or
 - (B) within the knowledge of the auditor as a result of the audit of the financial statements; and
- (e) a comfort letter from the auditor of the Issuer or the Target Company, as applicable, prepared in accordance with the relevant standards in the CICA Handbook, if an unaudited financial statement of the Issuer or the Target Company is included in the Disclosure Document.

5.7 Process for Shareholder Approval

Once the Exchange advises that the Pre-Approval Documents have been accepted for filing, the final version of the Disclosure Document and if applicable, notice of meeting and proxy must be sent to the Shareholders of the Issuer and filed with the Exchange and Securities Commission(s) via SEDAR. If the Exchange accepts Filing Statement rather than an Information Circular, it must be filed on SEDAR using the category "Other" under the continuous disclosure category for Exchange filings.

Subject to section 4 of this Policy, the Issuer must hold its Shareholders' meeting, or may seek Shareholders consent to approve the proposed COB or RTO. If 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.

5.8 News Release

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 Post-Approval Documents. The Resulting Issuer should contact the Exchange before issuing the news release to co-ordinate the timing of the release.

5.9 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 - *Name Change, Share Consolidations and Splits*.

5.10 Post-Approval Documents and Procedures

Following the Shareholder approval, the Issuer must file the Post-Approval Documents with the Exchange. The Post-Approval Documents include:

- (a) a certified copy of the scrutineer's report which details the results of the vote on the resolution to approve the COB or RTO. The report must confirm that applicable minority approval pursuant to Policy 5.9 was obtained (where the transaction is a subject to Policy 5.9) or where the transaction involved Non-Arm's Length Parties to the Issuer, the votes of the Non-Arm's Length Parties to the Issuer, COB or RTO were not included when compiling the results of the Shareholder vote. If applicable, the report must confirm that Shareholder approval was obtained on any other matters in respect of which it was required. Where shareholder approval is obtained by consent, the Issuer must provide the consent letters to the Exchange;
- (b) an original or notarially certified copy of any escrow agreement(s) required to be entered into pursuant to Section 7 of this Policy;
- (c) a legal opinion or officer's certificate confirming that all closing conditions other than Exchange acceptance have been satisfied;
- (d) if applicable, the final executed Sponsor Report; and
- (e) the balance of the applicable fees prescribed by Policy 1.3 - *Schedule of Fees*.

5.11 Final Exchange Bulletin

If the Post-Approval 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.

5.12 Trading

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

6. Application of Minimum Listing Requirements

- 6.1 When an Issuer undergoes a COB or an RTO, before the Completion Date, the Resulting Issuer must satisfy the Exchange's Minimum Listing Requirements for a particular industry sector in either Tier 1 or Tier 2 as prescribed by Policy 2.1 - *Minimum Listing Requirements*.
- 6.2 References in Policy 2.1 - *Minimum Listing Requirements* to prior expenditures of the applicant Issuer will mean prior expenditures of the Target Company or Vendor(s) of the Target Assets. References in Policy 2.1 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.
- 6.3 Subject to Section 3.3 of Policy 2.1, if the new business or asset will comprise the Issuer's primary business, the Issuer must acquire a Significant Interest in the business or asset.
- 6.4 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*.

7. 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*.

8. Treasury Orders and Resale Restrictions

- 8.1 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.

9. Financial Statements

- 9.1 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 in National Instrument 41-101 – *General Prospectus Requirements* or the applicable equivalent requirements of Securities Laws.
- 9.2 A pro forma balance sheet as at the date of the most recent balance sheet included in the Disclosure Document of the Company deemed to be the acquirer (the Target Company) pursuant to the CICA Handbook for accounting purposes, which gives effect to the acquisition, must be included in the Disclosure Document and must be accompanied by an appropriate auditor's compilation report. The notes to the *pro forma* balance sheet must disclose particulars described in CICA Handbook paragraphs 1581.55 and .56 as to the COB or RTO as the case may be and the amortization period for any increases to assets arising from the COB or RTO. Issuers must consider CICA Handbook paragraph 1581.17 in accounting for the acquisition in the pro forma balance sheet and, if applicable, Emerging Issues Committee Abstract of Issue Discussed #10.
- 9.3 If either the Issuer has significant operations or the Target Company has any significant acquisitions of a business or probable significant acquisition of a business, the Disclosure Document must include a *pro forma* income statement of the Target Company prepared in accordance with National Instrument 41-101 – *General Prospectus Requirements* or the applicable equivalent requirements of Securities Laws.
- 9.4 The Exchange cannot waive any 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. Issuers must obtain such waivers from the Securities Commission(s).

9.5 Waivers

- (a) Where the Exchange waives a requirement for audited financial statements, 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:
- (i) enable an auditor to provide an unqualified opinion in connection with the Issuers' future financial statements; and
 - (ii) enable the Issuer to prepare audited financial statements in connection with any future Prospectus offering filings.

10. Other Requirements

10.1 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 9.1 of this Policy.

10.2 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.

10.3 Loans and Advances to Target Companies

Any proposed loans or advances of funds in excess of \$25,000 in the aggregate, from the Issuer to the Target Company must receive Exchange acceptance prior to such funds being loaned or advanced to the Target Company.

10.4 Fees

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

10.5 Consulting Fees

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

10.6 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 19.2 of Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

10.7 Delay and Inactivity

- (a) If the Disclosure Document has not been sent to Shareholders within 75 days after the Initial Submission Date 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 Post-Approval Documents required pursuant to subsection 5.10 have not been submitted to the Exchange within the time prescribed by the Exchange following the Shareholder approval, 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 Post-Approval 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.

10.8 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*.
