

CORPORATE FINANCE MANUAL (the “Manual”)

UPDATE NOTICE ***August 21, 2002***

Last Update Notice – February 26, 2001

The amendment communicated in this *Update Notice* is reflected in the Internet version of the Manual:

[English: www.tse-cdnx.com/en/productsAndServices/listings/cdnx/resources/resourcePolicies.html]

[The French version of the Manual will be available at a later date.

[French: <http://www.tse-cdnx.com/fr/productsAndServices/listings/cdnx/resources/resourcePolicies.html>]

Re: Revised Corporate Finance Policies

After extensive consultation with Issuers, Members, securities counsel, regulators, shareholders of listed companies and other members of the financial and securities industry, the Exchange has revised many of the policies in the Manual in order to better respond to the needs of our stakeholders and the industry as a whole.

This Update Notice provides a summary of the most significant policy changes. However, given the broad scope of the changes and large number of revisions made to many of the policies, it does not provide a comprehensive listing of the material amendments to each policy. The full text of each policy must be reviewed prior to structuring and filing a transaction pursuant to the revised policies.

With the exception of the CPC Policy, which became effective on June 15, 2002, Issuers will generally be provided with a three month transition period from the publication date of the revised policies. During the transition period, Issuers may choose to follow the former policies or the revised policies. The Exchange may, however, require that Issuers comply with the new policies during the transition period where the new policies incorporate practices and procedures that were in place prior to the publication date.

Policy 1.1 - Interpretation

Certain defined terms have been amended to provide consistency between Exchange rules, policies and securities laws where possible. The amendments also reflect changes that were made to other Exchange policies. Where a defined term appears in more than one policy, it has been moved into this policy.

Policy 1.2 - Filing Locations and Procedures

The policy has been amended to require an Issuer to apply to the current, rather than the proposed filing office when applying for a change in filing offices. The policy has also been amended to more accurately reflect the Exchange's practices regarding publication of documents and personal and confidential information.

Policy 1.3 - Schedule of Fees

The policy reflects the new fee structure for Exchange filings, which was effective January 1, 2002. Issuers should note that for certain transactions, minimum fees must be submitted before the transaction will be processed.

Policy 2.1 - Minimum Listing Requirements

General

The policy has been clarified to specify the situations under which Issuers will be required to file a prospectus in order to obtain a listing on the Exchange.

Tier 1 and 2 Issuers

Except for certain mining, oil and gas and investment Issuers, Issuers must now have a minimum 50% interest in the business forming the basis of the listing. Issuers must also have the means to enable them to retain that 50% interest.

The policy has been clarified to indicate that oil & gas Issuers must use a discount factor of 15% in the calculation of proven reserves.

All investment Issuers are now required to allocate at least 50% of available funds to at least two specific investments.

The public distribution requirement has been reduced from 300 to 200 Public Shareholders holding a Board Lot. The public distribution requirements have also been clarified to indicate that, in addition to the requirement that 20% of the issued and outstanding shares must be in the hands of the public, an Issuer must also have a minimum 10% public float (listed shares held by the public and free of any resale restrictions).

Tier 1 Issuers

The time provided for Tier 1 technology or industrial Issuers to demonstrate a reasonable expectation of earnings has been increased from 12 to 24 months.

Tier 2 Issuers

The prior expenditure requirement for mining Issuers has been amended so that an Issuer must expend at least \$100,000 on a Qualifying Property within the 3 years prior to the application, rather than the former requirement of 12 months. If the prior expenditure requirement is not met, the Issuer must demonstrate that sufficient expenditures have been made so that the property may be categorized as an Advanced Exploration Property.

Where a mining Issuer does not have the minimum 50% interest in the applicable property, it must be the operator of the property and have a joint venture agreement that allows it to retain its interest in the property.

Tier 2 category 2 and 3 technology or industrial Issuers must now demonstrate a reasonable expectation of revenues within 2 years, rather than a reasonable expectation of earnings within 1 year.

Policy 2.2 - Sponsorship and Sponsorship Requirements

Consolidation of the Policy

The policy and the former Appendices have been merged so that all of the requirements relating to sponsorship are contained in the policy, with optional review guidelines included as an Appendix.

Exemptions from Sponsorship

The following exemptions and partial exemptions from sponsorship are now available to Issuers.

1. The Exchange will exempt an Issuer from the sponsorship requirements where it undertakes an Initial Public Offering and the prospectus is executed by at least one Member. No pre-filing or application for a waiver of sponsorship is required to rely on this exemption.
2. The Exchange may exempt an Issuer from all or part of the sponsorship requirements where:
 - (a) the Issuer is not an Issuer:

- (i) the majority of whose mind and management or whose Control Person is a resident outside of Canada or the United States, or
 - (ii) the majority of whose principal operating assets are located outside of Canada or the United States.
- (b) the management of the Issuer meets a high standard (similar to what is required for management of a CPC); and
- (c) the Issuer is a mining or oil and gas Issuer that:
 - (i) satisfies the Tier 2 Minimum Listing Requirements as set forth in *Policy 2.1 – Minimum Listing Requirements*, and
 - (ii) has a current Geological Report for each of the Issuer’s Qualifying and Principal Properties, including recommendations for exploration and/or development work.

Issuers meeting the criteria in 2. above are required to attend a pre-filing conference with Exchange staff in order to determine whether an exemption from sponsorship is available.

The Exchange has the discretion to grant an exemption from sponsorship where it considers that to do so would not be contrary to the public interest.

Reduction of Mandatory Review Procedures

The number of mandatory Review Procedures required to be conducted by the Sponsor has been reduced. The Sponsor will, however, be expected to follow certain specified guidelines in completing the Review Procedures.

Simplified Sponsorship Acknowledgement Form

The Sponsorship Acknowledgement Form prepared by the Sponsor has been simplified.

Sponsor Report and Filing

In order to avoid dual vetting by the Exchange and the Sponsor, the policy has been amended to require the filing of the preliminary Sponsor Report with the initial documents. In addition, the Sponsor must confirm that it has reviewed the draft CPC Prospectus, information circular or filing statement prior to filing those documents with the Exchange.

Sponsor Discretion

The policy has been amended to provide the Sponsor with more discretion to determine whether certain review procedures are reasonable and necessary with respect to each transaction.

Signature

The Sponsor Report must be signed by two authorized officers and directors of the Sponsor, one of who would otherwise be eligible to execute a prospectus on behalf of the Sponsor.

TSX Participating Organizations

TSX Participating Organizations that meet sponsorship criteria will be permitted to act as Sponsors.

Policy 2.3 - Listing Procedures

Several changes have been made to the filing requirements for new listings pursuant to an IPO and a direct listing application.

Policy 2.4 – Capital Pool Companies

Further to the Exchange Bulletin dated April 8, 2002, *Policy 2.4 - Capital Pool Companies* was effective June 15, 2002. Subscribers to the Manual are provided with the revised Policy. The changes are summarized below.

CPC Program Introduced into Ontario

The CPC program was introduced into Ontario on June 15, 2002, having been approved by the Minister of Finance of Ontario.

Sponsorship For CPCs Eliminated

A CPC will no longer be required to retain a Sponsor for its initial public offering of securities, provided that it retains an agent that signs the CPC Prospectus as underwriter.

CPCs Must Be Incorporated in Canada

A CPC must be incorporated pursuant to the laws of a jurisdiction in Canada.

Raising Additional Proceeds Through Private Placements

Where there has been a public announcement of a Qualifying Transaction, and the funds proposed to be raised under the Private Placement are to be advanced to the Target Company under a proposed arm's length Qualifying Transaction, the Exchange will, subject to certain conditions, permit an issuer to raise maximum additional gross proceeds of \$125,000 by way of private placement, in addition to the maximum \$700,000 which may have been raised in seed capital and through the IPO.

Advances To a Target Company

Up to \$100,000 may be advanced as a refundable deposit or secured loan to a Target Company under a proposed arm's length Qualifying Transaction, subject to the satisfaction of certain conditions. The advance will not be required to be held in trust. This \$100,000 advance will be in addition to a maximum of \$25,000, which may be advanced to the Target Company as a non-refundable deposit.

Guidelines On Agreement in Principle

The Exchange has introduced various new guidelines in order to assist issuers in determining whether or not an Agreement in Principle has been reached.

New Optionees

Technical consultants and eligible charitable organizations are now entitled to receive options of the CPC, subject to certain limitations.

Improved Procedures – Lifting of Trading Halts

Trading halts for CPCs announcing a Qualifying Transaction are expected to be of shorter duration due to a new simplified Sponsorship Acknowledgment Form, a new discretionary exemption from sponsorship requirements for resource issuers and the elimination, in most circumstances, of the previously required pre-filing conference.

Improved Procedures – Time For Filing Initial Materials

If a Sponsor is required to be retained, the Sponsor must review the draft Information Circular prior to its initial submission to the Exchange.

To accommodate this initial review process, the time for filing of all preliminary documents relating to the proposed Qualifying Transaction has been increased from 60 to 75 days.

New Forms

Two new forms have been introduced by the revised CPC Policy 2.4:

1. Information Required in a CPC Prospectus (Form 3A); and
2. Information Required in an Information Circular for a Qualifying Transaction (Form 3B).

The Exchange requires that issuers filing in accordance with the new CPC Prospectus Form, which is specifically tailored to CPCs, must comply with OSC Rule 41-501 – *General Prospectus Requirements* (“OSC Rule 41-501”) or the equivalent local rule or instrument allowing for a prospectus to be prepared in compliance with OSC Rule 41-501.

The new Exchange Information Circular is designed to provide prospectus level disclosure about the CPC, assuming completion of the Qualifying Transaction and, if applicable, the Target Company.

Changes to Qualifying Transaction Minimum Listing Requirements

The minimum listing requirements upon Completion of a Qualifying Transaction have been amended so that the majority of the directors and senior officers of the Resulting Issuer must be Canadian or United States residents, or individuals who have demonstrated positive associations with public companies in regulatory environments similar to the Canadian regime. In addition, except in the case of mining or oil and gas issuers, the Qualifying Transaction cannot involve an acquisition of assets or properties located outside Canada or the United States.

Managing the Transition

An issuer filing its preliminary prospectus on or after June 15, 2002 (the “Effective Date”) will be subject to the requirements of the revised CPC Policy. An issuer filing its preliminary prospectus prior to the Effective Date will continue to be governed by the predecessor to the revised CPC Policy, including the current Exchange Form of Information Circular (current Form 3A). However any CPC that files its preliminary prospectus prior to the Effective Date will be able to rely on a provision in the revised CPC Policy if:

- (a) the CPC obtains prior Exchange approval, and
- (b) the CPC issues a detailed press release disclosing the transaction and confirming compliance with the applicable requirements of the revised CPC Policy.

Policy 2.5 - Tier Maintenance Requirements and Inter-Tier Movement

The policy now explicitly states the Exchange’s discretion to declare a Tier 2 Issuer to be Inactive without the usual 90 day notice period in circumstances that it deems appropriate. These circumstances include situations where an Issuer has disposed of or abandoned all or substantially all of its assets, declared bankruptcy or is in receivership. In addition, the policy indicates that the Exchange also has discretion to downgrade, without notice, a Tier 1 Issuer to Tier 2 if it has been suspended from trading for more than 10 business days.

The Tier Maintenance Requirements for Tier 1 and 2 issuers for distribution has been amended to require 150 public shareholders holding a Board Lot.

Policy 2.6 – Inactive Issuers and Reactivation

Deadlines for Completion of a Reactivation

Although the deadlines for completion of a Reactivation have not changed, the Exchange will be strictly enforcing the deadlines and suspending Issuers who fail to complete their Reactivation within the stated time frames.

Restrictions on Inactive Issuers

The policy has been amended to restrict Inactive Issuers or Issuers notified that they may be declared Inactive, from entering into contracts relating to Investor Relations Activities.

No Restriction On Insiders Exercising Options

The prohibition on insiders of Inactive Issuers from exercising previously granted unexpired stock options has been removed. The prohibition on an Inactive Issuer granting new stock options has been maintained.

Removal of Inactive Designation

The policy has been clarified as to when an Inactive designation may be removed. In the case of a Reactivation involving a Reverse Take-Over or Change of Business, the Inactive designation will be removed upon closing of such transactions and issuance of an Exchange Bulletin. In the case of other Reactivations, the Issuer must make application to the Exchange providing evidence that the Issuer satisfies Tier 2 Tier Maintenance Requirements.

Policy 2.7 – Pre Filing Conferences

The policy relating to when a pre-filing conference is required has been amended to indicate that a pre-filing conference will be mandatory if the Issuer proposes to rely on an exemption from sponsorship requirements, (other than in the case of an IPO), as permitted by *Policy 2.2 – Sponsorship and Sponsorship Requirements*.

The former mandatory requirement that a pre-filing conference be held in the context of a proposed Reverse Take Over, Qualifying Transaction, or a Change of Business has been removed, however Issuers are encouraged to arrange for a pre-filing conference in such circumstances.

Policy 2.8 – Supplemental Listings

The policy has been amended to allow for the supplemental listing of convertible or exchangeable securities that are exercisable into securities listed on a senior exchange.

The policy has also been amended such that the listing of preferred shares, bonds and debentures will now be considered on a case-by-case basis.

Policy 3.1 – Directors Officers and Corporate Governance

A section dealing with shareholder rights plans has been added to the policy. Issuers must obtain shareholder ratification of any shareholder rights plan within six months of the implementation of the plan. The Exchange will defer to the appropriate commission where a shareholder rights plan is implemented as a response to a specific or contemplated bid.

Tier 1 issuers are now required to disclose information about their corporate governance processes and practices to their shareholders on an annual basis.

Policy 3.2 – Filing Requirements and Continuous Disclosure

The policy has been amended to state that the Exchange will defer to substantive TSE policy provisions relating to transactions (e.g.: pricing, shareholder approval and disclosure etc.) for Tier 1 Issuers, however, such Issuers will be required to file such transactions using Exchange forms where applicable.

The policy has been amended so that in general, the commencement of Exchange hold periods is the date of the distribution, which is consistent with Securities Laws.

A section has been added that clarifies the types of agreements that the Exchange deems to be material, and require a filing with the Exchange.

Policy 3.3 – Timely Disclosure

The disclosure standard that triggers Exchange filing and notification requirements has been changed from material change to material information, which includes material facts as well as material changes.

New procedures that require that certain news releases be pre-cleared with Market Regulation Services Inc. prior to dissemination have been incorporated into the policy.

Policy 3.4 – Investor Relations, Promotional and Market Making Activities

The policy has been clarified to indicate that persons engaged in promotional, investor relations or market making activities should be paid on a cash basis, except in limited circumstances where incentive stock options may be issued to persons undertaking Investor Relations Activities. The policy has been clarified to specifically prohibit the issuance of shares for debt in relation to the provision of investor relations services.

The policy has also been amended to prohibit Inactive Issuers from entering into any agreement for the provision of investor relations or market making services.

Policy 4.1 - Private Placements

Price Reservation

The private placement price reservation procedure has been amended so that for most filings, Issuers may reserve a price by filing a price reservation form or issuing a news release. Once the price reservation form has been filed or news release has been issued, an Issuer will have 30 days in which to file the Notice Form detailing the Private Placement.

Where Insiders of the Issuer will be subscribing for greater than 25% of the Private Placement, the price must be reserved by the issuance of a news release disclosing the terms of the Private Placement. In order to maintain the price, the Issuer must then file the Notice within 30 days.

Procedures/Forms/Timing

The Private Placement forms have been significantly revised to reduce the amount of information required and the number of forms required to be filed.

The required timing for filing final materials has been amended so that final materials must be filed the later of:

- (a) for a non brokered private placement, 15 days from conditional acceptance of the placement or 45 days from the price reservation; or
- (b) for a brokered private placement, 30 days from conditional acceptance of the placement or 60 days from the price reservation.

Settlement of Debts

The policy has been amended so that the proceeds from a Private Placement may be used to settle debts, provided that any placees who are creditors and non arm's length parties to the Issuer must not be granted warrants on that part of the subscription that corresponds to the debt.

Shareholder Approvals

The requirement for shareholder approval where a private placement results in a situation where a placee obtains absolute control (greater than 50% of the voting securities) has been removed. The requirement for shareholder approval where the placement results in the creation of a new control person remains in place.

Restrictions on Insider Participation in Brokered Private Placements

The prohibition against officers, directors, promoters or control persons acquiring more than 10% of the total brokered private placement has been eliminated.

Expedited Private Placements

The definition of Expedited Transactions has been expanded and forms have been revised to encourage more transactions to be filed on an expedited basis.

The 25% limit on the number of shares that could be issued in a one year period for Tier 1 Expedited Private Placements has been increased to 50% of the outstanding securities issuable over a 6 month period. In respect of Tier 2 Issuers, up to 25% of the outstanding securities may be issued over a 6 month period.

Tier 3 Issuers and Inactive Issuers are now prohibited from using the Expedited Filing procedure.

Part and Parcel Warrant Pricing

The policy has been amended to clarify the applicable premium at which warrants must be issued pursuant to a part and parcel private placement.

The following premium chart replaces the previous requirements.

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

Pricing of Warrants Issued Pursuant to a Convertible Security

The requirement to set the exercise price of a warrant issued pursuant to a convertible security by a fixed premium in relation to the conversion price has been replaced by a requirement to set the exercise price at a 10% premium to the conversion price in the previous year, regardless of the conversion price of the security.

Policy 4.2 – Prospectus Offerings

The provisions relating to Alberta EOPs have been removed, as these are no longer available to Exchange listed Issuers.

The provisions relating to filing requirements are amended to reflect the adoption of OSC Rule 41-501 *General Prospectus Requirements*.

The pricing provisions have been amended to require that an offering be priced on the date of the receipt for the final prospectus.

Policy 4.3 - Shares for Debt

The policy has been amended so that warrants may be issued to creditors as part of a debt settlement, provided that the creditors are not non-arm's length parties to the Issuer.

Provisions relating to the settlement of debt that has been purchased at a discount have been added. Where non arm's length parties to the issuer purchase discounted debt, they are restricted to their out of pocket costs when settling the debt for securities of the issuer. In addition, persons who become insiders as a result of purchasing discounted debt may be subject to escrow or Resale Restrictions on the portion of the securities issued pursuant to the debt settlement in excess of their out of pocket costs.

A provision permitting Issuers to set up a shares for services arrangement, has been added to the policy provided that the arrangement is made in compliance with applicable corporate and securities law and the applicable prospectus exemption is used or an order is obtained from the applicable Securities Commission.

Policy 4.4 - Incentive Stock Options

Requirement for a Stock Option Plan

The policy has been amended to require that all Issuers adopt a stock option plan. Depending on tier classification and subject to certain limitations, Issuers may choose between a rolling or a fixed number plan.

Shareholder Approvals

Shareholders must approve plans that could result at any time in the number of reserved shares exceeding 10% of the outstanding shares. Rolling plans must receive shareholder approval on a yearly basis at the annual general meeting. Fixed number plans require shareholder approval at the time of implementation and at such time that the fixed number under that plan is to be amended.

Optionees Performing Investor Relations Activities

The Issuer's Board must, through the establishment of appropriate procedures, monitor the trading in the securities of the Issuer by all optionees performing Investor Relations Activities.

Filing Procedures

The policy has been amended so that rather than making an Exchange filing for each stock option grant, Issuers must file a form at the end of each month notifying the Exchange when stock options have been granted during that month.

Disclosure

The policy has been amended to provide that unless the stock option grant constitutes material information, news release disclosure of the grant of stock options is only required where options are granted to directors, officers, and persons performing Investor Relations Activities.

Policy 4.5 – Rights Offerings

Pricing

The discount structure in relation to the exercise price of the rights has been amended to be consistent with the private placement discount structure.

The policy has been amended so that discounts are only permitted where the rights offering is available and offered to at least 75% of the Issuer's shareholders.

Guarantor's Compensation

The permitted guarantor's compensation has been reduced from 40% of the total number of shares guaranteed to be acquired on a standby basis to 25% of such shares. This is consistent with the other sections relating to broker compensation.

Offering Period

The offering period has been increased from 30 to 45 days, consistent with securities laws.

Policy 4.6 – Public Offering by Short Form Offering Document

Further to the Exchange Bulletin dated October 31, 2001, the Exchange has increased the maximum amount of funds that can be raised using the short form offering document from \$1,000,000 to \$2,000,000, exclusive of warrants.

In addition, a short form offering can now be conducted in Alberta, pursuant to ASC Blanket Order 45-503.

Further to Exchange Bulletin dated May 22, 2002, the Threshold Amount that any one shareholder can purchase and receive free trading shares under the Short Form has been increased from the greater of 2% of the offering and \$10,000 to \$40,000, without reference to a percentage of the offering.

Policy 4.7 Charitable Options

This policy permits issuers to grant up to 1% of their issued an outstanding capital as options to charitable organizations on an IPO, subject to Exchange acceptance.

Policy 5.1 – Loans, Bonuses, Finder's Fees and Commissions

Loans and Filing Requirements

The policy has been amended so that where bonus shares are to be issued for a guarantee; the Issuer must provide documentation evidencing how the Issuer assessed the guarantor's ability to provide the guarantee.

Finder's Fees and Commissions

In the case where non-transferable warrants form a portion of the compensation payable as a finder's fee or commission, the exercise price must be at no less than the greater of either:

- (a) the issue price of the shares at the time of the placement or transaction; and
- (b) the Market Price for those shares.

Policy 5.2 - Changes of Business and Reverse Take-Overs

Reinstatement of Trading

The process for an Issuer to be reinstated for trading after the announcement of a COB or RTO has been amended. The securities of an Issuer will generally be reinstated for trading upon the filing of a Sponsorship Acknowledgement Form or a letter from counsel of the Issuer confirming that securities of the Issuer held by directors, officers, Insiders and Promoters of the Issuer and of the Target Company are held in a pooling arrangement and that such securities will not be released until the Exchange has issued final acceptance of the COB or RTO.

The policy specifies those situations where the Exchange may continue or reinstate a halt in trading.

Preliminary Sponsor Report

The policy has been amended to require the filing of the preliminary Sponsor Report, if applicable, at the time initial documents are filed.

Shareholder Approval

Shareholder approval requirements have been amended such that the requirement to hold a formal shareholder meeting is generally not required where written consent of the holders of a majority of the outstanding securities is obtained.

The requirements relating to which shareholders may and may not vote on an RTO/COB transaction have also been clarified.

Disclosure Requirements

In relation to RTO transactions, an information circular using the Exchange form will generally be required. For COB transactions an Exchange filing statement will generally be required, however, in certain circumstances the Exchange may require an information circular to be prepared in respect of a COB.

Financial Statement Requirements

The policy has been amended to clarify the financial statements that must be filed with the Exchange in connection with a RTO or COB.

Loans and Advances to the Target Company

The Exchange Bulletin dated February 26, 2001, indicating that any proposed loan or advance in excess of \$25,000 made by the Issuer to a Target Company must receive prior acceptance of the Exchange, has been incorporated into the policy.

Transactions Forming Part of a COB/RTO

The policy has been clarified to indicate that 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. In addition, when a series of transactions is deemed to constitute a COB or RTO, the Exchange may require that shareholder approval be sought for any prospective transaction forming part of the COB or RTO, and restrict certain shareholders from voting on such transactions.

Where an Issuer undertakes a transaction that forms part of COB or RTO (e.g.: private placement, shares for debt, acquisition, name change etc), it must disclose this information in its Exchange filing application and in the news release disclosing the transaction.

Policy 5.3 – Acquisitions and Dispositions of Non Cash Assets

The policy has been simplified to reduce the number of filing categories. In particular, the Minor Acquisition category has been eliminated which will result in more transactions becoming either Exempt Transactions or Expedited Acquisitions. The previous dollar limitations on Exempt Transactions have been removed and replaced with a limitation that the transaction is not a Fundamental Acquisition.

The yearly limits for Expedited Filings have been amended so that more transactions will be able to be filed under this category.

Tier 3 Issuers have been excluded from using the Exempt or Expedited Transaction filing system, and will be required to have such transactions reviewed by the Exchange.

Policy 5.4 – Escrow, Vendor Consideration and Resale Restrictions

Restrictions on Surplus Securities and Stock Options Based on Surplus Securities

A new provision has been added to the policy that restricts the number of surplus securities that can be issued pursuant to a transaction. Under the new provision, no more than 50% of an Issuer's post-transaction issued and outstanding shares can be made up of surplus securities which are unsupported by value.

The maximum number of surplus securities issuable pursuant to the transaction may be increased from 50% to 65% of the post-transaction and post-financing issued and outstanding securities where the Issuer undertakes an arm's length financing that represents at least 10% of the post-transaction issued outstanding securities.

The number of incentive stock options which are issuable using surplus securities as the basis of calculation, is now limited to 10% of those surplus securities. Where securities are supported by value, the general limitation of 20% of such securities is applicable.

Previously Issued Securities

The policy has been amended to permit shares issued to Principals of the Tier 2 Resulting Issuer to be subject to a 1.5 year Tier 1 Value Escrow Agreement rather than be subject to a 3 year escrow period where the securities were issued:

- (a) at, or above, the Discounted Market Price; or
- (b) at least one year prior to Exchange's conditional acceptance of the transaction.

Treatment of Escrow Securities Subject to a Business Combination

The policy includes clarification as to the treatment of escrow securities which may be subject to a formal take over bid, plan of arrangement, amalgamation, merger or any similar transaction (a "Business Combination"). These provisions are based on the National Policy 46-201 *Escrow for Initial Public Offerings*.

Consent to Amend Existing Escrow Agreement

The provisions of the Exchange's Bulletin dated June 15, 2001 entitled *Consent to Amend Existing Escrow Agreements*, have been specifically incorporated into this policy.

Issuers may not, however, amend the release provisions of an escrow agreement where the asset for which the shares were issued has been lost, alienated or abandoned.

Resale Matrix

In addition to escrow, the Exchange imposes seed share resale restrictions (“SSRR”) of various lengths that apply to seed shares issued to non-Principals by private companies pursuant to an IPO, RTO, COB or Qualifying Transaction. The length of the SSRR depends on the price paid for the security, and the length of time it has been held by the shareholder. The SSRRs do not replace securities regulatory hold periods, but are in addition to, and run concurrently with, those hold periods.

Policy 5.5 - Stock Exchange Take-Over Bids and Issuer Bids

The policy has been amended to reflect the amendments to Securities Laws relating to Takeover Bids and Exchange Policy 5.9.

Policy 5.8 – Name Change, Share Consolidations and Splits

The policy and the forms have been streamlined so that there are fewer documents required to be filed and the process and the requirements for share consolidations and stock split transactions are more clearly set out.

Policy 5.9 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions

There are no significant amendments being made to this policy. The amendments relate to changes reflecting the fact that the policy is now in effect and that certain consequential changes have been to other policies where this policy may be applicable.

Policy 6.1 – Tier 3 Issuers

The policy has also been amended to restrict Tier 3 Issuers from filing Expedited Private Placements and Expedited Acquisitions.

Policy 6.2 – Transitional Provisions

This is a new policy that deals with the transitional provisions applicable to the revisions to the policies.

With the exception of the CPC Policy, issuers are provided with a three month transition period which runs until November 29, 2002. During the transition period, Issuers will be permitted to comply with either the former policies or the new policies. The Exchange may however, require that Issuers comply with the new policies during the transition period where the new policies incorporate practices and procedures which were in existence prior to the effective date of the new policies.

In addition, clarification is given that if a filing is made during the transition period and there is a failure to specify whether the filing is made under a former or a new policy, the filing will be deemed to be made under the applicable new policy.

If you have any questions regarding these amendments please contact your local Corporate Finance filing office or:

	In British Columbia	In Alberta
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