

GUIDE TO GOING PUBLIC IN CANADA

2016

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Disclaimer: This guide is current as of Feb 2016 and is for general information purposes only. It does not constitute a legal opinion or other professional advice. Offerings of securities in Canada are subject to detailed regulation and should be undertaken only with qualified legal counsel.

GOWLING WLG AT A GLANCE

Gowling WLG is an international law firm built on the belief that the best way to serve clients is to be in tune with their world, aligned with their opportunity and ambitious for their success. Around the globe, our 1,400-plus legal professionals and dedicated business support teams do just that. We bring our deep sector expertise to understand and support clients' businesses, and see the world through their eyes.

Gowling WLG clients have access to expertise in key global sectors and a suite of legal services. Combined with our presence in 18 cities worldwide and specialized expertise in countries around the globe, we're positioned to help clients achieve their objectives, wherever their business takes them. We're proud to be recognized as a top employer, and actively encourage diversity and inclusion in our workplaces.

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OUR CAPITAL MARKETS TEAM

Whether you're obtaining or maintaining your listing, looking for financing or providing it, you need legal advice you can rely on from seasoned lawyers who've been through the process and know how to make it work.

At Gowling WLG, we have vast experience in fundraising ventures and acting for capital markets participants in Canada and around the world, and take great pride in what we help our clients achieve.

INDUSTRY RECOGNITION

Chambers Global 2015

40 lawyers recognized across 18 practice areas

Busiest Law Firm for Canadian M&A 2014, 2013, 2012

For the third year in a row, Gowling WLG (Canada) has been ranked as the busiest Canadian M&A law firm by Thomson Reuters, advising on more Canadian M&A deals than any other law firm in 2012, 2013 and 2014. Gowling WLG (Canada) also advised on more worldwide mid-market and small-cap M&A transactions than any other Canadian firm

Canadian Legal Lexpert Directory 2015

261 rankings across 50 areas of law, including Corporate Finance & Securities, Corporate Mid-Market, M&A and Private Equity

Who's Who Legal: Canada 2015

48 listings across 18 areas of law, including Corporate: M&A

INTRODUCTION

Why consider going public in Canada?

Canada is a stable country with a liquid and well-regulated secondary market and direct access to the United States capital markets. Canada's financial system has been ranked as the soundest in the world for five years in a row by the World Economic Forum.

Canada's banks are well-managed, well-regulated and well-capitalized. Canada's strong and stable banking system is fundamental to the stability of the country's financial markets. By going public in Canada, companies can achieve healthy valuations and raise funds from a deep and knowledgeable pool of institutional and retail investors.

Going Public in Canada was developed by Gowling WLG to provide business executives, foreign counsel and investors with a guide to their initial going-public transaction in Canada and the process for obtaining a listing on the Toronto Stock Exchange (TSX) or TSX Venture Exchange (TSX-V).

This guide is current as of February 2016 and is for general information purposes only. It does not constitute a legal opinion or other professional advice.

If you are planning a going-public transaction in Canada, it is highly recommended that you seek detailed and specific advice from experienced professionals. Offerings of securities in Canada are subject to detailed regulation and should be undertaken only with qualified legal counsel.

To learn more about going-public transactions and the range of services that Gowling WLG provides, please visit us at:

gowlingwlg.com/capitalmarkets-canada

CANADIAN STOCK EXCHANGES

The Toronto Stock Exchange (TSX) is Canada's senior equities exchange, providing domestic and international investors access to the Canadian marketplace. The TSX Venture Exchange (TSX-V) is Canada's junior exchange, providing companies at early stages of growth the opportunity to raise capital.

What are the benefits of listing on the TSX?



- Market for well-established businesses and management teams with experience in public markets
- Access to international institutional investors
- Opportunities for greater analyst coverage
- Globally visible specialized indices
- Unique structured products
- Corporate governance appropriate for issuers
- 160-year history
- Total market cap of C\$2.3 trillion and average market cap of C\$1.5 billion
- 31 per cent of TSX issuers with over C\$500 million in market cap are interlisted on a U.S. exchange

With over 3,200 listed issuers, the TSX and TSX-V rank among the world's leading stock exchanges and are home to the largest number of issuers in North America.

The industry sectors represented on the TSX and TSX-V are diverse. Canada is home to unparalleled mining and metals knowledge and expertise, attracting 54 per cent of all public mining companies from around the world to raise capital in Canada and to list on the TSX and TSX-V.

What are the benefits of listing on the TSX-V?



- Access to capital for earlier stage companies and smaller financings (typical financing range: C\$500,000 to C\$20 million)
- Multiple financing rounds = more ground-floor investing opportunities
- Tailored listing and corporate governance requirements for small-cap companies
- Streamlined graduation to the TSX
- Extensive mentorship program for newly public companies
- 100+ year history
- Total market cap of C\$23.2 billion and average market cap of C\$12.9 million
- Cost-effective stepping stone for international companies looking to list on a quality North American exchange

The world's largest annual mining conference, hosted by the Prospectors and Developers Association of Canada, takes place in March of each year in Toronto.

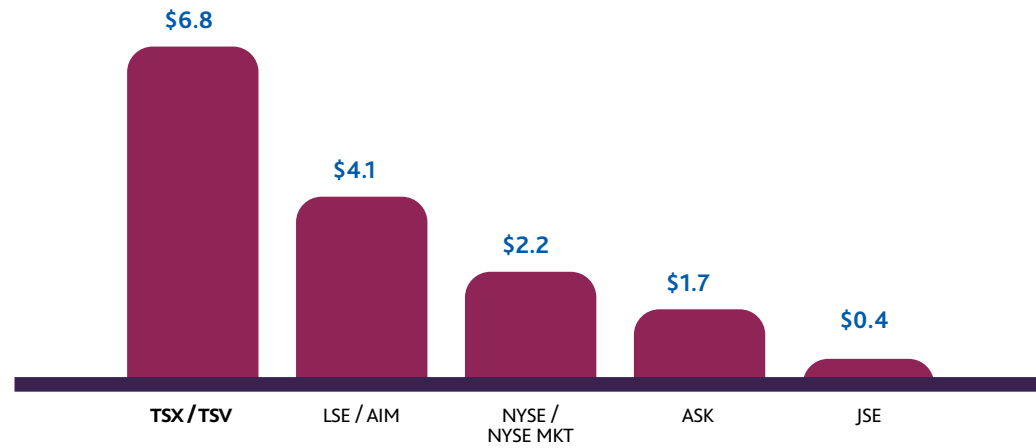
Other sectors on the TSX and TSX-V include oil and gas, diversified industries, technology, financial services, clean technology, life sciences, real estate, communications and media, utilities and pipelines, and forest products.

ARE THERE ADVANTAGES TO LISTING IN CANADA OVER LISTING IN THE U.S.?

Aside from cost advantages, Canada has much less onerous corporate governance requirements than the U.S. (i.e., no Sarbanes-Oxley). Canadian securities regulators implemented corporate governance rules, but the Canadian response has been shaped by conditions unique to the domestic market.

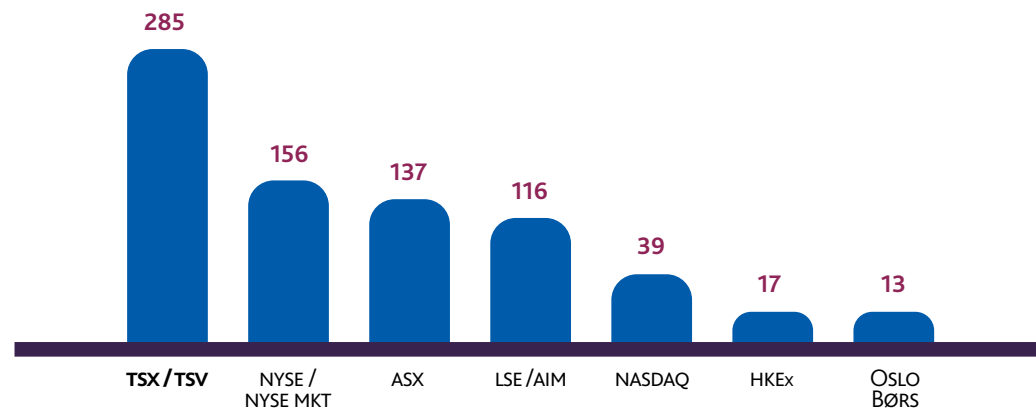
Canada has developed the world's leading resource sector stock market, in part, because under National Instrument 43-101, natural resource companies are entitled to disclose, after following the proper process, both mineral reserve and "resource" estimates. Under SEC Industry Guide 7, only estimates on mineral "reserves" may be disclosed in the U.S.

GLOBAL MINING EQUITY FINANCINGS
(C\$ BILLIONS)



Source: Capital IQ, December 2015

WORLD'S LARGEST OIL & GAS PUBLIC MARKETS
NUMBER OF LISTED OIL & GAS COMPANIES



Source: Capital IQ and Exchange websites, as of December 2015

STOCK EXCHANGE LISTING

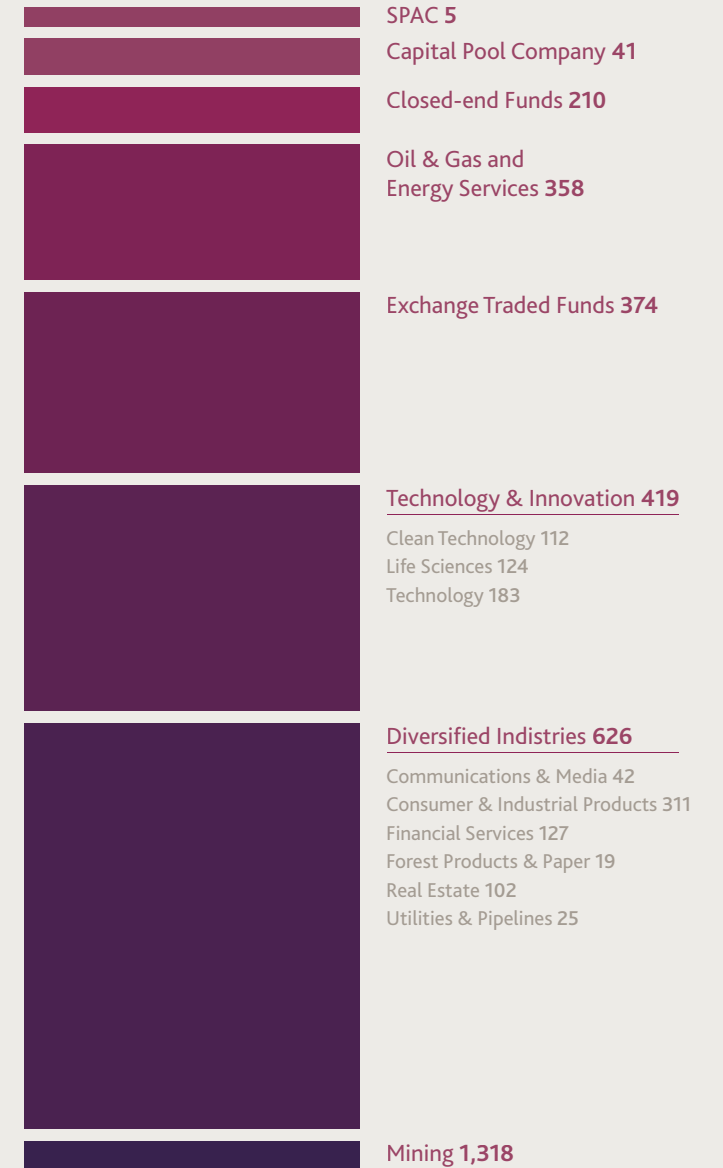
What are the requirements to list on the TSX and TSX-V?

Included in Appendix A are charts setting out key listing requirements.

The TSX-V, designed for more junior issuers, classifies issuers into two tiers based on historical financial performance, stage of business development and financial resources. Many TSX-V issuers also graduate to the TSX, and many TSX and TSX-V issuers are interlisted on U.S. or European stock exchanges.

How do these listing requirements compare to other stock exchanges?

Included in Appendix B is a chart which compares listing fees and listing requirements for the TSX, TSX-V and NASDAQ exchanges. The TSX and TSX-V, unlike the NASDAQ exchange, have tailored listing requirements for different industry groups.



IPO OVERVIEW

What can you expect?

An issuer wishing to go public by way of an initial public offering (IPO) does so by preparing and filing a preliminary prospectus with Canadian securities regulators and the TSX or TSX-V.

After the comments of Canadian securities regulators and the TSX or TSX-V have been addressed, the issuer files a final prospectus and obtains a decision document that allows shares to be qualified for sale to the public. The prospectus performs two functions: first, it is used by the issuer and the underwriters as a marketing document for the offering; second, it is required to provide potential investors with "full, true and plain disclosure of all material facts" relating to the securities offered.

How long is the process and what are the different steps?

Bringing an IPO to market typically takes several months, depending on how organized the issuer is, the size of the offering and the experience of the significant players in the IPO process. While in the past, issuers and investment dealers were prohibited from pre-marketing IPOs, amendments to National Instrument 41-101 allow for a "testing of the waters" exemption under which an issuer may, before filing a preliminary prospectus, solicit expressions of interest from accredited investors through an investment dealer to ascertain if there would be sufficient interest in an IPO. The availability of the exemption is subject to certain record keeping and other requirements, including the requirement to ensure that communications are made on a confidential basis.



1. INITIAL PREPARATION

- Creation or updating of a business plan
 - The selection of lawyers, auditors and underwriters/agents
 - Review of and, if necessary, strengthening of internal controls and procedures
 - Review of accounting policies and financial records, and preparation of financial statements to be included in the preliminary prospectus and final prospectus (see more detailed discussion under "Financial Statements")
 - Preparation of a technical report if the issuer is a mining or oil and gas company (see more detailed discussion under "Technical Reports")
 - Tax planning and corporate restructuring
 - Review of the makeup of the board and management team to ensure that the governance structure of the issuer meets with all applicable corporate and securities law requirements as well as TSX or TSX-V requirements
 - Review of executive compensation
 - Review of material contracts and compilation of materials for due diligence and filing purposes
 - Identification of the appropriate stock exchange for listing (see more detailed discussion under "Stock Exchange Listing")
- A pre-filing conference with the TSX or TSX-V is encouraged.



2. PRELIMINARY PROSPECTUS

- Following the filing of the preliminary prospectus, it is reviewed by Canadian securities regulators, and the regulators' comments are issued. The duration of this review varies with each issuer. It can be as short as four weeks if the issuer has complied fully with all disclosure requirements, including those relating to financial statements.
- Comments issued by Canadian securities regulators are addressed and a draft of the final prospectus is prepared, which is essentially the preliminary prospectus modified to reflect the regulators' comments.
- Contemporaneous with receiving and responding to comments from Canadian securities regulators, a similar process takes place with the TSX or TSX-V, which will review the listing application and supporting documents to ensure they meet all applicable requirements.
- Also during this phase, the underwriters and key members of the issuer's management team make presentations to institutional investors and investment dealers over a period of five to 10 days (often referred to as the "road show"). The underwriting agreement is also negotiated and finalized.



3. WAITING PERIOD

- The issuer and its counsel should commence preparation of the preliminary prospectus several months in advance of the targeted date for filing. Once underwriters or agents are selected, due diligence should begin with the input of the issuer and underwriters/agents and their counsel. Over this period, a number of drafts will be circulated to all members of the working group for comments and revisions. Once the preliminary prospectus is filed with Canadian securities regulators and a decision document has been issued, the issuer and underwriters/agents can market the IPO. The period between the filing of the preliminary prospectus and the final prospectus is known as the "waiting period."



4. FINAL PROSPECTUS

- Once all comments have been resolved with the Canadian securities regulators and the TSX or TSX-V, clearance is obtained to file final materials with the regulators. By this point, the issuer will want to ensure that the TSX or TSX-V has issued its conditional letter of approval for the listing of the issuer's shares, subject to conditions itemized in the letter. With respect to timing, it is best to reach this point when the market is most receptive to the offering, as this is the point at which the issuer and the underwriters/agents finalize the price and size of the offering, enter into the underwriting or agency agreement, and file the final prospectus.



5. CLOSING

- Closing occurs approximately five business days following the date on which the final prospectus is filed, and a decision document for the final prospectus is issued by the Canadian securities regulators.
- At the closing, the securities offered under the prospectus are issued, the proceeds from the issue are delivered to the issuer and the issuer's shares begin to trade on the TSX or TSX-V, as the case may be.

*The IPO process
can be broken down
into five phases*



“in general, the issuer and parties preparing the prospectus are personally liable”

What is the standard of disclosure for the prospectus?

Every prospectus must contain a certificate signed by the chief executive officer, chief financial officer and, on behalf of the board, two directors, and any person or company who is a promoter of the issuer, certifying that the prospectus contains full, true and plain disclosure of all material facts relating to the securities being offered by the prospectus.

The prospectus must contain a similar certificate signed by the underwriters or agents, except that their statement is qualified by the phrase “to the best of our knowledge, information and belief.”

A high onus is placed on companies accessing the Canadian capital markets and their underwriters or agents to ensure that the prospectus contains adequate disclosure. Should the prospectus contain a misrepresentation, the issuer, its directors, its officers, the underwriters/agents and experts could face civil liability and penalties. In preparing the prospectus, the issuer works closely with its professional advisers, including lawyers and accountants as well as the underwriters/agents, to ensure that proper and accurate disclosure is made.

What can be expected in terms of due diligence to be conducted by underwriters/agents?

In general, the issuer and parties preparing the prospectus are personally liable for misrepresentations in the prospectus, subject (other than for the issuer) to a “due diligence” defence. Accordingly, the due diligence process is taken seriously by all parties, and generally involves a thorough review of corporate records, financial information and material agreements, an inspection of operating facilities, an investigation of management backgrounds, as well as oral due diligence sessions. In essence, every fact in the prospectus must be verified, and detailed records of the due diligence process must be maintained.

FINANCIAL STATEMENTS

What financial statements must be included in the prospectus?

In general, the preliminary prospectus and the final prospectus must include a statement of income, changes in equity and cash flow for each of the three most recently completed financial years, and a statement of financial position as of the end of the two most recently completed years accompanied by an auditor's report.

The required annual financial statements are for years that ended more than 90 days before the date of the prospectus (120 days before the date of the prospectus for companies intending to list on the TSX-V).

There are exceptions to the rule if neither the issuer nor a predecessor entity has completed three financial years. Also, an issuer may be allowed to omit the statement of income, changes in equity and cash flow for the third most recently completed financial year, as well as the statement of financial position for the second most recently completed financial year, if the prospectus includes audited financial statements for a financial year ended less than 90 days before the date of the prospectus. They may also be omitted in a situation where the business of the issuer is not seasonal and the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year.

For any quarterly period that has ended subsequent to the most recent financial year, the preliminary prospectus and final prospectus must also include quarterly financial statements with comparative statements for the corresponding interim period in the immediately preceding financial year. Quarterly financial statements are required for periods ending more than 45 days before the date of the prospectus (60 days before the date of the prospectus for companies intending to list on the TSX-V).

Which of the financial statements included in a prospectus must be audited?

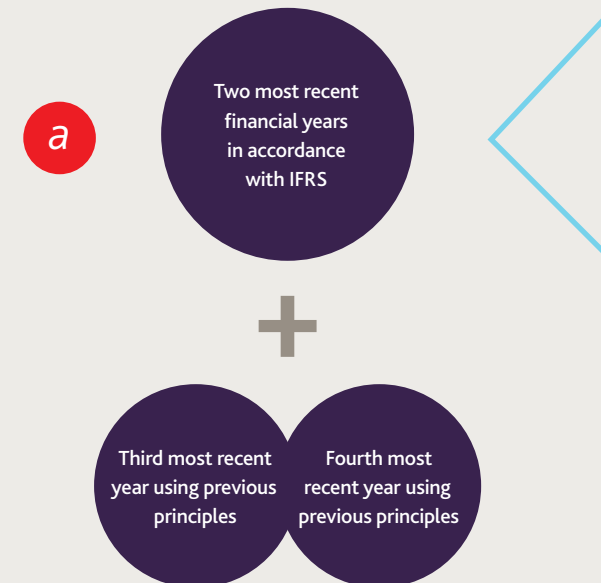
Annual financial statements included in a prospectus must be audited. Exceptions to this are the second and third most recently completed financial years, if the issuer is a "junior issuer."

An issuer is deemed a "junior issuer" if:

- Total consolidated assets in the latest statement of financial position included in the preliminary prospectus are less than C\$10 million
- Consolidated revenue in its most recent annual income statement included in the preliminary prospectus is less than C\$10 million
- Shareholders' equity as at the date of the most recent statement of financial position of the issuer included in the preliminary prospectus is less than C\$10 million.

What accounting principles and auditing standards are acceptable for the financial statements included in the prospectus?

Adopted by the International Accounting Standards Board, International Financial Reporting Standards (IFRS) became the basis of financial reporting for all public companies in Canada as of January 1, 2011. Accordingly, financial statements included in prospectuses and prepared for continuous disclosure following completion of an IPO should comply with IFRS. There are exceptions for (i) an SEC issuer; and (ii) a "designated foreign issuer" if, among other things, the issuer is subject to the disclosure requirements in specified countries including Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom. However, one of the conditions of being a "designated foreign issuer" is that the total number of equity securities beneficially owned by residents of Canada does not exceed 10 per cent, on a fully diluted basis, of the total number of equity securities of the issuer. Accordingly, while an issuer may be able to rely on an exception from the requirement to use IFRS for purposes of the IPO prospectus, it will be difficult to rely on the "designated foreign issuer" exemption for purposes of continuous disclosure following completion of an IPO, if the primary market for the issuer's securities will be in Canada



Our financial statements for prior financial years have been prepared using accounting principles other than IFRS.

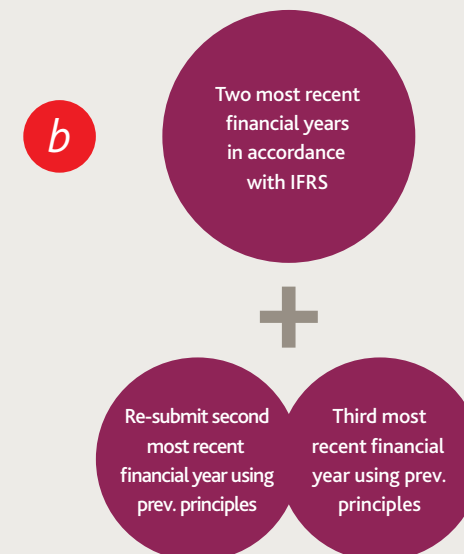
Can we include in the prospectus financial statements that utilize two different sets of accounting principles?

Yes, you can, by presenting two sets of financial statements. An issuer may elect to present the two most recent years of financial statements in accordance with IFRS and present the third-year financial statements in accordance with the issuer's previous accounting principles.

For example, one set of financial statements can present the information for the most recent two years utilizing IFRS, and a second set can present the information either (a) for a third and fourth year, or (b) a second and third year, using the issuer's previous accounting principles.

In (a), the issuer is including a fourth year not otherwise required to be included, while in (b), information for the second year is being presented in both sets of financial statements utilizing two different sets of accounting principles.

< or >



What auditors are acceptable?

An auditor's report filed by an issuer must be prepared and signed by an auditor that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and must meet the professional standards of that jurisdiction.

Are there special requirements for financial statements if we have made an acquisition prior to the IPO?

If the issuer has completed a "significant acquisition" in its most recently completed financial year or proposes to complete one, the general rule is that the prospectus must include, in respect of the acquired business, a statement of income, changes in equity and cash flow for the most recently completed financial year and for the financial year immediately preceding that (if applicable), as well as a statement of financial position at the end of each of those periods, all of which must be audited. Quarterly unaudited statements are also required for periods that ended before the date of the acquisition. The prospectus must also include a pro forma statement of financial position and pro forma income statement.



TECHNICAL REPORTS

We are a mining company. Is there a requirement for a Technical report on the properties?

Yes, in the case of a mineral property that is material to the issuer, scientific or technical information contained in a preliminary or final prospectus must be supported by a technical report filed with Canadian securities regulators.

This technical report must be prepared by one or more "qualified persons" who are independent of the issuer. A "qualified person" is an engineer or geoscientist with at least five years of relevant experience and one who is in good standing with a specified professional association.

The form of the technical report is prescribed by National Instrument 43-101 of the Canadian securities regulators. Moreover, for exploration- or development-stage mining companies, one of the key listing requirements of the TSX or TSX-V is a technical report prepared in compliance with National Instrument 43-101 that contains a recommended work program.

For mining companies that are producing, one of the key listing requirements is a technical report prepared in compliance with National Instrument 43-101 that supports three years of proven and probable reserves.

We are an oil and gas company. Is there a requirement for a technical report on the properties?

Yes, any information disclosed in a preliminary prospectus or final prospectus in respect of oil and gas reserves, resources or related information must be supported by a technical report filed with Canadian securities regulators. The report must be prepared by one or more "qualified reserves evaluators or auditors," in accordance with the form prescribed by National Instrument 51-101 and in accordance with the "Canadian Oil and Gas Evaluation Handbook." A "qualified reserves evaluator or auditor" is a person independent of the issuer who possesses professional qualifications and experience appropriate for the estimation, evaluation, review and audit of reserves data, resources and related information, and who is in good standing with a specified professional association. Furthermore, the qualified evaluator or auditor must have evaluated or audited at least 75 per cent of the future net revenue (calculated using a discount rate of 10 per cent) attributable to proved plus probable reserves, and must also have reviewed the balance of future net revenue of the issuer in preparing the report.

CORPORATE GOVERNANCE

How should our board and management be constituted in order to ensure we meet Canadian governance standards?

For an issuer intending to list on the TSX, the board will need at least three independent directors who are financially literate in order to have a properly constituted audit committee applicable to reporting issuers in Canada.

An issuer listed on the TSX-V is required to have at least three directors, of which at least two must be independent. As a general rule, executive officers and employees of the issuer, either current or recent (i.e., in the prior three years), are not independent.

A director of the issuer who has no other direct or indirect material relationship with the issuer and receives no compensation from the issuer other than remuneration for acting in his or her capacity as a member of the board is independent for audit committee purposes for a TSX company. Other Canadian corporate governance best practices should be considered by the issuer before reconstituting the board prior to an IPO.

In addition, a key listing requirement of the TSX and TSX-V is that management, including the board of directors, has adequate experience and technical expertise relevant to the issuer's business and industry as well as public company experience.

Historically, the predominant manner of electing directors in Canada was slate voting, wherein securityholders would elect directors as a group rather than voting on each nominee individually. Since January 1, 2013, all TSX-listed issuers are required to provide for individual voting for the election of each director.

In February 2014, the TSX adopted rule changes requiring TSX-listed issuers, other than issuers that are majority controlled, to adopt majority voting policies for director elections at uncontested shareholders' meetings, or to amend their constating documents in order to give effect to these new requirements. TSX rules require directors to resign if they are not elected by a majority (50 per cent + 1) of votes cast at an uncontested shareholders' meeting.

Boards of directors would then be required to accept such resignations unless there are "exceptional circumstances". Securities laws in Canada set out a list of non-binding corporate governance guidelines which reporting issuers are encouraged to consider in developing their own practices. While compliance with the guidelines is voluntary, mandatory disclosure is imposed on reporting issuers with respect to whether or not their corporate governance practices comply. Such corporate governance guidelines include:

CORPORATE GOVERNANCE GUIDELINES

- ▶ A board consisting of a majority of independent directors with an independent chair or lead director, and with the independent directors holding regularly scheduled meetings at which non-independent directors and members of management are not in attendance
- ▶ Written board and board-committee mandates
- ▶ Clear position descriptions for the chair of the board, the chair of each board committee and the chief executive officer
- ▶ A written code of business conduct and ethics
- ▶ Nominating and compensation committees comprised entirely of independent directors
- ▶ Regular assessments of the effectiveness of the board, its committees and individual directors

For companies incorporated under the laws of Canada, are there Canadian residency requirements for directors?

Canadian residency requirements for directors vary. For example, a corporation governed by the Alberta Business Corporations Act, Ontario Business Corporations Act and Canada Business Corporations Act must have resident Canadian directors comprising at least 25 per cent of the total number of directors.

There are no Canadian residency requirements for directors of corporations governed by the British Columbia Business Corporations Act or the Business Corporations Act (Québec).

Pursuant to National Instrument 41-101, all directors of an issuer who reside outside of Canada are required to file a submission to jurisdiction and to appoint an agent for service of process.

Is there a requirement that we have an office in Canada? Or that we be incorporated in Canada?

There is no listing requirement that an issuer have an office in Canada, and there is no requirement that an issuer be incorporated in Canada. However, foreign issuers that do not have an office in Canada, are required to file a submission to jurisdiction and to appoint an agent for service of process. The same requirement applies to certain others connected to the foreign issuer, such as directors who reside outside of Canada. Foreign issuers are also encouraged to have a strategy to develop relationships with the investment community in Canada, and a plan to satisfy all of their reporting and public company obligations in Canada. This may be achieved by having a member of the board of directors or management, an employee, or a consultant of the issuer situated in Canada.

Are shares held by principals escrowed or subject to any resale restrictions following completion of an initial going-public transaction?

Both the TSX and TSX-V impose escrow requirements on the securities of the issuer held by the directors, officers, principal shareholders and promoters of the issuer, providing for a timed release of securities over a period of 18 to 36 months after the initial going-public transaction. The purpose of the escrow requirements is to restrict individuals who are key to the success of the issuer from selling their securities immediately following

completion of the transaction. This ensures that the interests of such individuals are aligned with the interests of the public investors that have invested in the issuer. Escrow requirements differ depending on whether the issuer is an exempt or non-exempt issuer on the TSX or a Tier 1 or Tier 2 issuer on the TSX-V. An exempt issuer listing on the TSX or an issuer with a market capitalization of at least C\$100 million is exempt from escrow requirements.

In addition to escrow requirements imposed by stock exchanges, underwriters/agents typically request that key individuals contractually agree to restrict resale of their securities for a defined period of time following completion of an IPO.



“ Foreign issuers are encouraged to have a strategy to develop relationships with the investment community in Canada ”

In what language must the prospectus be filed?

For offering of securities in every province and territory of Canada, other than the province of Québec, a prospectus can be filed in English. Under the Securities Act (Québec), every prospectus (and any documents incorporated therein by reference) must be drawn up in French or in both official languages. If an issuer wishes to distribute its securities in the province of Québec, the IPO prospectus (inclusive of the financial statements) must be translated into French.

Generally, there are no translation requirements with respect to technical reports (previously discussed) nor with some of the alternative ways to go public (discussed later), depending on the circumstances.

COSTS

What costs are incurred to complete an IPO in Canada?

In addition to the time commitment of management, the following is a list of some of the expenses that can be anticipated in completing an IPO in Canada:

- Underwriters' or agents' fees (typically 4 to 8 per cent of gross IPO proceeds)
- Legal fees
- Fees of auditors
- Fees for preparing a technical report (for mining and oil and gas companies)
- Filing fees paid to Canadian securities regulators (approximately C\$20,000 assuming the filing of a prospectus in all provinces, plus an amount based on size of offering in certain provinces)
- Listing fees (C\$10,000 to \$200,000 for TSX listing; C\$10,000 to \$40,000 for TSX-V listing depending on the total value of the shares listed)
- Printing costs for the prospectus and road show materials
- Costs associated with marketing initiatives
- Translation fees (if offering is made in the province of Québec)
- Transfer agency fees

SECURITY

Canada's banks are well-managed, well regulated, and well-capitalized.

This strong and stable banking system is fundamental to the stability of the country's financial markets. By going public in Canada, companies can achieve healthy valuations and raise funds from a deep and knowledgeable pool of investors.

ALTERNATIVE WAYS TO GO PUBLIC

Aside from an IPO, is there another way to take our company public?

Yes, there are two alternatives to consider: (i) a reverse take-over of an existing TSX or TSX-V listed issuer; and (ii) a transaction known as a "qualifying transaction" with a capital pool company (CPC) listed on the TSX-V.



i REVERSE TAKE-OVER

In a reverse take-over, a publicly listed issuer (typically a dormant company with minimal assets) acquires a private issuer (the company attempting to go public) and the private issuer becomes a subsidiary of the listed issuer. Shareholders of the private issuer become the controlling shareholders of the publicly listed issuer following completion of the reverse take-over. A reverse take-over can be structured in a number of ways, including a merger or share exchange. The reverse take-over is subject to the approval of the shareholders of the public company. Although the proxy circular distributed to the shareholders of the public company to obtain such approval is not reviewed by Canadian securities regulators, it must contain prospectus-level disclosure of the public company, private issuer and the issuer resulting from the reverse take-over. Moreover, the transaction is subject to the review and approval of the TSX or TSX-V, and the issuer resulting from the reverse take-over must meet the original listing requirements of the TSX or TSX-V.

The financial statements of the private company required to be included in the proxy circular are similar to financial statements that would be required in a prospectus for an IPO. The time and costs of completing a reverse take-over are similar to the time and costs of completing an IPO. An additional factor in a reverse take-over is that the private issuer must conduct due diligence on the public shell company to ensure that it is "clean" (i.e., that it has no undisclosed liabilities from a prior business). Moreover, the existing shareholders in the public shell company remain in place (although their equity interest in the public shell company is significantly diluted by the equity issued to the shareholders of the private issuer).



ii CAPITAL POOL COMPANY

A CPC is a shell company that has completed an IPO, raised a modest amount of money (the minimum required to be raised under the IPO by TSX-V rules is C\$200,000, and the maximum permitted by TSX-V rules together with any prior seed funding is C\$5,000,000) and obtained a listing on the TSX-V, with the sole purpose of completing a qualifying transaction — essentially a reverse take-over transaction. A qualifying transaction must be completed within two years of the IPO. An advantage of completing a qualifying transaction with a CPC over a regular reverse take-over transaction is that approval of the shareholders of the CPC is not required unless the parties are not at arm's length, or the qualifying transaction is structured in a manner requiring shareholder approval under applicable corporate or securities laws. In most cases, the required disclosure document is a filing statement or, if shareholder approval is required, a proxy circular.

Either way, prospectus-level disclosure is required. Due diligence of the public shell company is typically more straightforward for a qualifying transaction with a CPC than a regular reverse take-over in that it will not have carried on any active business prior to the completion of a qualifying transaction. The financial statements of the private company required to be included in the filing statement or proxy circular for a qualifying transaction are similar to financial statements required for an issuer completing an IPO. Time and costs in completing a qualifying transaction may be less than for a reverse take-over if it is structured such that shareholder approval is not required.

We are about to negotiate the number of shares of the CPC to be issued to the shareholders of the private company. Are there rules that regulate the maximum number of shares that may be issued?

Once the parties reach an understanding as to the valuation of the private company, they are free to negotiate the number of shares of the CPC to be issued. However, minimum public float requirements of the TSX-V, such as the requirement that at least 20 per cent of the issued shares must be in the hands of public shareholders, place a limit on the number of shares that may be issued to shareholders of the private issuer. Moreover, the number of "value securities," which are subject to more favourable escrow arrangements pertaining to the private issuer, is determined by dividing the value of the private issuer (determined based on a valuation method recognized by the TSX-V) by the last market price before announcement of the qualifying transaction (discounted in accordance with permitted discount rules). In addition, since the TSX-V limits the aggregate number of "surplus securities" the CPC may issue that are unsupported by value in accordance with TSX-V valuation methods, the valuation of the private issuer should be considered early in the process.

Once we complete an IPO, reverse take-over or qualifying transaction, what is the nature of our ongoing reporting obligations?

Once an issuer completes an IPO, the issuer is subject to all requirements applicable to a "reporting issuer" under Canadian securities legislation, including continuous disclosure obligations. Also, insiders of the issuer become subject to reporting and other obligations and restrictions. Moreover, in order to maintain a listing, the TSX or TSX-V must be notified and approve of any proposed change in capital structure and other specified events.

"Time and costs in completing a qualifying transaction may be less than for a reverse takeover, if it is structured such that shareholder approval is not required"



APPENDIX A

LISTING REQUIREMENTS FOR EXPLORATION & MINING COMPANIES					
	TSX Venture Tier 1	TSX Venture Tier 2	TSX Non-exempt Exploration and Development Stage	TSX Non-exempt Producer	TSX Exempt
Property Requirements	Material interest in a Tier 1 property ⁴	Significant interest ⁵ in a qualifying property or, at discretion of the Exchange, a right to earn a significant interest ⁵ in a qualifying property; sufficient evidence of no less than \$100,000 of exploration expenditures on the qualifying property in the past three years	Advanced Exploration Property ² minimum 50% ownership in the property ³	Three years proven and probable reserves as estimated by an independent qualified person (if not in production, a production decision made)	Three years proven and probable reserves as estimated by an independent qualified person
Recommended Work Program	\$500,000 on the Tier 1 property ⁴ as recommended by geological report ⁶	\$200,000 on the qualifying property as recommended by geological report ⁶	\$750,000 on advanced exploration property ² as recommended in independent technical report ⁶	Bringing the mine into commercial production	Commercial level mining operations
Working Capital and Financial Resources	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; \$200,000 in unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; \$100,000 in unallocated funds	Minimum \$2.0 million working capital, but sufficient to complete recommended programs, plus 18 months G&A1, anticipated property payments and capital expenditures. Appropriate capital structure	Adequate funds to bring the property into commercial production; plus adequate working capital for all budgeted capital expenditures and to carry on the business. Appropriate capital structure	Adequate working capital to carry on the business. Appropriate capital structure
Net Tangible Assets, Earnings or Revenue	\$2,000,000 net tangible assets	No requirement	\$3,000,000 net tangible assets	\$4,000,000 net tangible assets; evidence indicating a reasonable likelihood of future profitability supported by a feasibility study or historical production and financial performance	\$7,500,000 net tangible assets; pre-tax profitability from ongoing operations in last fiscal year; pre-tax cash flow of \$700,000 in last fiscal year and average of \$500,000 for past two fiscal years
Other Criteria	Geological report ⁶ recommending completion of work program		Up-to-date, comprehensive technical report ⁶ prepared by independent qualified person and 18 month projection (by quarter) of sources and uses of funds, signed by CFO		Up-to-date, comprehensive technical report ⁶ prepared by independent qualified person
Management and Board of Directors	Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors				
Distribution, Market Capitalization and Public Float	Public float of 1,000,000 shares; 250 public shareholders each holding a board lot and having no resale restrictions on their shares; 20% of issued and outstanding shares in the hands of public shareholders	Public float of 500,000 shares; 200 public shareholders each holding a board lot and having no resale restrictions on their shares; 20% of issued and outstanding shares in the hands of public shareholders	\$4,000,000 publicly held; 1,000,000 free trading public shares; 300 public holders with board lots		
Sponsorship	Sponsor report may be required		Required (may be waived if sufficient previous 3 rd party due diligence)		Not required

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*Mining Disclosure Standards: National Instrument 43-101 is the Canadian Securities Administrators' ("CSA") policy that governs the scientific and technical disclosure for mineral projects made by mineral exploration and mining companies, including the preparation of technical reports. The instrument covers oral statements as well as written documents and websites. NI 43-101 requires that all technical disclosure be prepared by or under the supervision of a "qualified person." Issuers are required to make disclosure of reserves and resources using definitions approved by the Canadian Institute of Mining, Metallurgy and Petroleum. NI 43-101 is available at: http://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20051223_43-101_mineral-projects.jsp

1. "G&A" means general and administrative expenses.
2. "advanced exploration property" refers to one on which a zone of mineralization has been demonstrated in three dimensions with reasonable continuity indicated. The mineralization identified has economically interesting grades.
3. A company must hold or have the right to earn and maintain a 50% interest in the property. Companies holding less than a 50% interest will be considered on a case-by-case basis looking at program size, stage of advancement of the property and strategic alliances.
4. "Tier 1 property" means a property that has substantial geological merit and is:
 - a. a property in which the Issuer holds a material interest;
 - b. a property on which previous exploration, including detailed surface geological, geophysical and/or geochemical surveying and at least an initial phase of drilling or other detailed sampling (such as trench or underground opening sampling), has been completed;
 - c. a property on which drilling or other detailed sampling on the property has identified potentially economic or economic materialization; and
 - d. an independent geological report recommends a minimum \$500,000 Phase 1 drilling (or other form of detailed sampling) program based on the merits of previous exploration results; or an independent, positive, feasibility study demonstrates that the property is capable of generating positive cash flow from ongoing operations.
5. "significant interest" means at least 50% interest
6. "geological report" or "technical report", in the case of a mining property, is a report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects or any successor instrument.

All amounts are expressed in Canadian dollars. The foregoing is a summary of the applicable listing requirements only. For detailed listing requirements, refer to the TSX Venture Exchange Corporate Finance Manual and the Toronto Stock Exchange Manual, both of which are available at www.tmx.com

LISTING REQUIREMENTS FOR OIL & GAS (EXPLORATION OR PRODUCING) COMPANIES					
	TSX Venture Tier 1	TSX Venture Tier 2	TSX Non-exempt Exploration and Development Stage	TSX Non-exempt Oil & Gas Exploration and Development Issuers	TSX Exempt Oil & Gas Issuers ⁴
Net Tangible Assets, Earnings or Revenue	No Requirement				Pre-tax profitability from ongoing operations in last fiscal year. Pre-tax cash flow from ongoing operations of \$700,000 in last fiscal year and average pre-tax cash flow from ongoing operations of \$500,000 for the past two fiscal years
Working Capital and Financial Resources	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; \$200,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; \$100,000 unallocated funds	Adequate funds to either: (a) execute the development plan and cover all other capital expenditures & G&A ¹ + debt service expenses, for 18 months with a contingency allowance; OR (b) bring the property into commercial production, and adequate working capital to fund all budgeted capital expenditures + carry on the business. 18 month projection of sources and uses of funds signed by CFO ⁶ ; appropriate capital structure	Adequate funds to execute the program and cover all other capital expenditures & G&A ¹ + debt service expenses for 18 months with a contingency allowance; 18 month projection of sources & uses of funds signed by CFO; appropriate capital structure	Adequate working capital to carry on the business. Appropriate capital structure.
Distribution, Market Capitalization and Public Float	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	At least 1,000,000 freely tradable shares with an aggregate market value of \$4,000,000; 300 public holders, each with one board lot or more. Minimum market value of the issued securities that are to be listed of at least \$200,000,000	At least 1,000,000 freely tradable shares with an aggregate market value of \$4,000,000; 300 public holders, each with one board lot or more	
Sponsorship	Sponsor report may be required		Sponsor report may be required (generally not required for IPOs or TSX Venture Graduates)		Not required
Property Requirements	Exploration: \$3,000,000 in reserves of which a minimum of \$1,000,000 must be proved developed reserves ² and the balance probable reserves Producing: \$2,000,000 in proved developed reserves ²	Exploration: either (i) Issuer has an unproven property with prospects or (ii) Issuer has joint venture interest and \$5,000,000 raised by Prospectus offering Reserves: either (i) \$500,000 in proved developed producing reserves or (ii) \$750,000 in proved plus probable reserves	Contingent resources ⁷ of \$500,000,000 ⁸	\$3,000,000 proved developed reserves ^{2,5}	\$7,500,000 proved developed reserves
Recommended Work Program	Exploration: satisfactory work program (i) of no less than \$500,000 and (ii) which can reasonably be expected to increase reserves, as recommended in a Geological Report Producing: No requirement	Exploration: minimum of \$1,500,000 allocated by Issuer to a work program as recommended in a Geological Report except where Issuer has a joint venture interest and has raised \$5,000,000 in Prospectus offering Reserves: (i) satisfactory work program and (ii) in an amount of no less than \$300,000 if proved developed producing reserves have a value of less than \$500,000 as recommended in Geological Report	Clearly defined development plan, satisfactory to the Exchange, which can reasonably be expected to advance the property	Clearly defined program to increase reserves	
Management and Board of Directors	Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.				
Other Criteria	Geological Report recommending completion of work program		Up-to-date technical report prepared by an independent technical consultant (NI 51-101) ³	Up-to-date technical report prepared by an independent technical consultant (NI 51-101) ^{3,5}	

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- "G&A" means general and administrative expenses.
- "Proved development reserves" are defined as those reserves that are expected to be recovered from existing wells and installed facilities, or, if facilities have not been installed, that would involve low expenditure, when compared to the cost of drilling a well, to put the reserves on production.
- "NI 51-101" National Instrument 51-101 – Standards of Disclosure for Oil & Gas Activities
- Exceptional circumstances may justify the granting of Exempt status notwithstanding the minimum requirements – generally an affiliation with an established business and/or exceptionally strong financial position is required.
- Reserve value of pre-tax NPV of cash flows using a 20% discount rate; constant pricing assumptions are used.
- This projection must also include actual financial results for the most recently completed quarter.

- "Contingent resources" are defined in accordance with Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101; however, the Exchange in its discretion may exclude certain resources classified as contingent resources after taking into consideration the nature of the contingency. The Exchange will use the best-case estimate for contingent resources, prepared in accordance with National Instrument 51-101.
- The Company must submit a technical report prepared by an independent technical consultant that conforms to National Instrument 51-101 and be acceptable to the Exchange. Reports prepared in conformity with other reporting systems deemed by the Exchange to be the equivalent of National Instrument 51-101 will normally be acceptable also. The value of the resources should be calculated as the best-case estimate of the net present value of future cash flows before income taxes, prepared on a forecast basis, and discounted at a rate of 10%. The Exchange may, at its discretion, also require the provision of a price sensitivity analysis.

LISTING REQUIREMENTS FOR INDUSTRIAL, TECHNOLOGY, RESEARCH & DEVELOPMENT AND REAL ESTATE COMPANIES				
Initial Listing Requirements	TSX Venture Tier 1 Industrial / Technology / Life Sciences	TSX Venture Tier 2 Industrial / Technology / Life Sciences	TSX Venture Tier 1 Real Estate or Investment	TSX Venture Tier 2 Real Estate or Investment
Net Tangible Assets, Revenue or Arm's Length Financing (as applicable)	\$5,000,000 net tangible assets or \$5,000,000 revenue If no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months	\$750,000 net tangible assets or \$500,000 in revenue or \$2,000,000 Arm's Length Financing If no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months	Real Estate: \$5,000,000 net tangible assets Investment: \$10,000,000 net tangible assets	\$2,000,000 net tangible assets or \$3,000,000 Arm's Length Financing
Adequate Working Capital and Capital Structure	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; \$200,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; \$100,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 18 months following listing; \$200,000 unallocated funds	Adequate working capital and financial resources to carry out stated work program or execute business plan for 12 months following listing; \$100,000 unallocated funds
Property	Issuer has Significant Interest in business or primary asset used to carry on business		Real Estate: Issuer has Significant Interest in real property Investment: no requirement	
Prior Expenditures and Work Program	History of operations or validation of business		Real Estate: no requirement Investment: disclosed investment policy	Real Estate: no requirement Investment: (i) disclosed investment policy and (ii) 50% of available funds must be allocated to at least 2 specific investments
Management and Board of Directors	Management, including board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.			
Distribution, Market Capitalization and Public Float	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 1,000,000 shares; 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders	Public float of 500,000 shares; 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares; 20% of issued and outstanding shares in the hands of Public Shareholders
Sponsorship	Sponsor Report may be required			

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**LISTING REQUIREMENTS FOR INDUSTRIAL , TECHNOLOGY ,
AND RESEARCH AND DEVELOPMENT COMPANIES**

Minimum Listing Requirements	TSX Non-Exempt Technology Issuers ^{1,7}	TSX Non-Exempt Research & Development (R&D) Issuers ⁷	TSX Non-Exempt Forecasting Profitability ⁷	TSX Non-Exempt Profitable Issuers ⁷	TSX Exempt Industrial Companies ⁸
Earnings or Revenue			Evidence of pre-tax earnings from on-going operations for the current or next fiscal year of at least \$200,000 ²	Pre-tax earnings from on-going operations of at least \$200,000 in the last fiscal year	Pre-tax earnings from on-going operations of at least \$300,000 in the last fiscal year
Cash Flow			Evidence of pre-tax cash flow from on-going operations for the current or next fiscal year of at least \$500,000 ²	Pre-tax cash flow of \$500,000 in the last fiscal year	Pre-tax cash flow of \$700,000 in the last fiscal year, and an average of \$500,000 for the past 2 fiscal years
Net Tangible Assets			\$7,500,000 ³	\$2,000,000 ^{3,4}	\$7,500,000 ³
Adequate Working Capital and Capital Structure	Funds to cover all planned development expenditures, capital expenditures, and G&A ⁵ expenses for 1 year ⁶	Funds to cover all planned R&D expenditures, capital expenditures and G&A ⁵ expenses for 2 years ⁶	Working capital to carry on the business, and an appropriate capital structure		
Cash in Treasury	Minimum \$10 million in the treasury, with majority raised by prospectus offering	Minimum \$12 million in the treasury, with majority raised by prospectus offering			
Products and Services	Evidence that products or services at an advanced stage of development or commercialization and that management has the expertise and resources to develop the business ⁹	Minimum 2 year operating history that includes R&D activities. Evidence of technical expertise and resources to advance its research and development programs ¹⁰			
Management and Board of Directors	Management, including the board of directors, should have adequate experience and technical expertise relevant to the company's business and industry as well as adequate public company experience. Companies are required to have at least two independent directors.				
Distribution, Market Capitalization and Public Float	1,000,000 free trading public shares \$10,000,000 held by public shareholders 300 public shareholders each holding a board lot Minimum \$50 million market capitalization	1,000,000 free trading public shares \$4,000,000 held by public shareholders 300 public shareholders each holding a board lot			
Sponsorship	Generally required				Not required

The listing requirements above must be met at the time of listing. Any funds raised or transactions closing concurrent with listing contribute to the company meeting the listing requirements.

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| <p>1. Generally includes companies engaged in hardware, software, telecommunications, data communications, information technology and new technologies that are not currently profitable or able to forecast profitability.</p> <p>2. Applicants should file a complete set of forecast financial statements covering the current and/or next fiscal year (on a quarterly basis). Forecasts must be accompanied by an auditor's opinion that the forecast complies with the CICA Auditing Standards for future-oriented financial information. Applicants should have at least six months of operating history.</p> <p>3. Under certain circumstances, deferred development charges or other intangible assets can be included in net tangible asset calculations.</p> <p>4. Companies with less than \$2 million in net tangible assets may qualify for listing if the earnings and cash flow requirements for senior companies are met.</p> <p>5. "G&A" means general and administration expenses.</p> <p>6. A quarterly projection of sources and uses of funds, for the relevant period, including related assumptions signed by the CFO must be submitted. Projection should exclude uncommitted payments from third parties or other contingent cash receipts. R&D issuers should exclude cash flows from future revenues.</p> | <p>7. Exceptional circumstances may justify granting of a listing, notwithstanding minimum requirements – generally an affiliation with established business and/or exceptionally strong financial position is required.</p> <p>8. Exceptional circumstances described in (7) may justify granting Exempt status. Special purpose issuers are generally considered on an exceptional basis.</p> <p>9. "Advanced stage of development or commercialization," generally restricted to historical revenues from the issuer's main business or contracts for future sales. Other factors may also be considered.</p> <p>10. Other relevant factors may also be considered.</p> |
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All amounts are expressed in Canadian dollars.
For detailed listing requirements, go to www.tmx.com

APPENDIX B

COMPARISON OF LISTING FEES AND INITIAL LISTING REQUIREMENTS			
		TSX	NASDAQ
Listing Fees:			
	Senior	C\$10,000 - 200,000	US\$125,000 - 225,000
	Venture	C\$10,000 - 4 0,000	US\$50,000 - 75,000
Listing Requirements			
Ownership	Senior	300 public shareholders each holding one board lot or more	At least 2,200 total shareholders or a minimum of 450 round lot shareholders
	Venture	200 or 250 public shareholders each holding one board lot	A minimum of 300 round lot shareholders
Public Float	Senior	1,000,000 free trading public shares; C\$4 million held by public shareholders (C\$10 million held by public shareholders for TSX non-exempt technology issuers)	1,250,000 publicly held shares; US\$45 million of publicly held shares
	Venture	500,000 or 1,000,000 free trading public shares; 20% of issued and outstanding shares in the hands of public shareholders	1,000,000 publicly held shares <u>Equity Standard</u> US\$15 million of publicly held shares <u>Market Value Standard</u> US\$15 million of publicly held shares <u>Net Income Standard</u> US\$5 million of publicly held shares
Market Capitalization	Senior	No requirement except for TSX non-exempt technology issuers which require a minimum C\$50 million market capitalization	See "Income / Revenue / Net Tangible Assets / Cash Flow" section below
	Venture	No requirement	See "Income / Revenue / Net Tangible Assets / Cash Flow" section below
Working Capital	Senior	Adequate working capital to carry on the business; certain categories of issuers need sufficient working capital for a stipulated period; see Appendix "A" for further details	No requirement
	Venture	Adequate working capital to carry out stated work program or execute business plan for 12 or 18 months; C\$100,000 or C\$200,000 in unallocated funds	No requirement
Income / Revenue / Net Tangible Assets / Cash Flow	Senior	The minimum requirements in respect of these criteria depend on the industry and stage of development of the issuer; see Appendix "A" for further details	<u>Standard 1</u> (i) Income before income taxes of at least US\$11 million over the prior three fiscal years, (ii) positive income before income taxes in each of the prior three fiscal years, and (iii) at least US\$2.2 million income before income taxes in each of the two most recent fiscal years or <u>Standard 2</u> (i) Aggregate cash flows of at least US\$27.5 million over the prior three fiscal years, (ii) positive cash flows in each of the prior three fiscal years, (iii) market capitalization of at least US\$550 million over prior 12 months, and (iv) total revenue of at least US\$110 million in the previous fiscal year or <u>Standard 3</u> (i) Market capitalization of at least US\$850 million over prior 12 months, and (ii) total revenue of at least US\$90 million in the previous fiscal year or <u>Standard 4</u> (i) Market capitalization of at least US\$160 million at the time of listing, (ii) total assets of at least US\$80 million for the most recently completed fiscal year, and (iii) stockholders' equity of at least US\$55 million
	Venture	The minimum requirements in respect of these criteria depend on the industry and stage of development of the issuer; see Appendix "A" for further details	<u>Equity Standard</u> (i) Operating history of two years, (ii) stockholders' equity of at least US\$5 million, and (iii) market value of publicly held shares of at least US\$15 million or <u>Market Value Standard</u> (i) Stockholders' equity of at least US\$4 million, (ii) market value of publicly held shares of at least US\$15 million, and (iii) market value of "listed securities" of at least US\$50 million or <u>Net Income Standard</u> (i) Net income from continuing operations of at least US\$750,000 in the most recently completed fiscal year or in two of the three most recently completed fiscal years, (ii) stockholders' equity of at least US\$4 million, and (iii) market value of publicly held shares of at least US\$5 million

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