

Capital Pool Company Program



AIRD BERLIS

Aird & Berlis LLP | Lawyers

Brookfield Place, 181 Bay Street, Suite 1800, Toronto, Canada M5J 2T9

T 416.863.1500 F 416.863.1515 | airdberlis.com



The Capital Pool Company Program

Introduction

The Capital Pool Company program is a unique two-stage listing process offered by the TSX Venture Exchange (the “TSXV”) which brings together experienced participants in public capital markets with entrepreneurs seeking funding and a public listing. In stage one of the process, a new company (known as a “Capital Pool Company”) is listed on the TSXV by way of an initial public offering. In stage two (the “Qualifying Transaction”), the Capital Pool Company acquires an asset or completes a transaction with a private business which results in the listing of the acquired business on the TSXV. If the acquired business can meet the minimum listing requirements of the Toronto Stock Exchange (the “TSX”), it can be directly listed on the TSX at the closing of the Qualifying Transaction. In many cases, the listing of a business or asset through the Capital Pool Company program can be a more cost and time efficient alternative than a listing through a traditional initial public offering.

About The TSXV

Owned and operated by the TMX Group, the TSXV is the largest public venture capital marketplace in Canada, serving as a gateway to public markets for emerging and early stage companies. The TSXV also offers an opportunity for growing companies to graduate to a listing on the TSX alongside some of Canada’s largest public companies.

Stage One – Listing The Capital Pool Company

In the first stage of the Capital Pool Company program, a group of experienced capital markets participants coordinates the completion of an initial public offering by a new shell company and the listing of its common shares on the TSXV. This shell company must adhere to the TSXV’s governance requirements, including the requirement that each proposed director and senior officer must be either a resident of Canada or the United States or have relevant public company experience in a foreign jurisdiction. A Capital Pool Company must have, at minimum, three directors (two of whom must be independent under TSXV rules), one officer who can serve as Chief Executive Officer and Chief Financial Officer, and one Corporate Secretary.

A financing, through an agent who is registered under applicable securities laws, must be completed in conjunction with the initial public offering. The gross proceeds to the Capital Pool Company from the initial public offering must be equal to or greater than \$200,000 and must not exceed \$4,750,000. Between the completion of the initial public offering and the Qualifying Transaction, a Capital Pool Company is generally not permitted to raise additional funds unless written consent is obtained.

After the initial public offering, the principal activity of the Capital Pool Company is seeking an asset or business with which to complete its Qualifying Transaction. Management is also responsible for compliance with the ongoing obligations of the Capital Pool Company, including the completion and public filing of financial statements and related management’s discussion and analysis and holding an annual shareholders meeting.

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Stage Two – Qualifying Transaction

Once a suitable asset or business has been identified (the “Target”), the Capital Pool Company can complete a Qualifying Transaction. In order to be accepted by the TSXV, the proposed company resulting from the Qualifying Transaction (also known as the Resulting Issuer) must be able to meet the initial listing requirements set out in the TSXV’s policies. These requirements vary depending on the proposed industry segment of the Resulting Issuer under the TSXV’s initial listing requirements (Mining, Oil & Gas, Industrial/Technology/Life Sciences, or Real Estate/Investment) and whether the Resulting Issuer will be a Tier 1 or Tier 2 company. Please refer to Schedule A for a full list of the initial listing requirements.

Once an agreement has been entered into by the Capital Pool Company and the Target (or the owners of the Target, if applicable) regarding a proposed Qualifying Transaction, a comprehensive news release must be disseminated, setting out the details of the proposed transaction and the assets and/or business to be acquired. The next steps in completing the Qualifying Transaction will include:

Obtaining Audited and Pro Forma Financial Statements

Audited Financial Statements will be required for both the Capital Pool Company and the Target. As a public company, the Capital Pool Company will already have the necessary audited financial statements. Pro forma financial statements for the Resulting Issuer must also be prepared. In certain rare circumstances, if the Target is not considered to be a “business” by the TSXV, an exemption from the requirement for audited financial statements of the Target may be available.

Filing Personal Information Forms

Each proposed new director and officer of the Resulting Issuer must file a Personal Information Form with the TSXV. The TSXV will then complete a background check on each individual in Canada and in other jurisdiction(s) where he or she has lived and/or worked. In certain situations, a Personal Information Form is not required if the proposed officer or director has recently filed one with the TSXV in respect of another issuer.

Preparing an Information Circular or Filing Statement

If the Capital Pool Company requires shareholder approval to complete the Qualifying Transaction, an Information Circular must be completed and mailed to shareholders in advance of the shareholders’ meeting. If a meeting is not required, a Filing Statement must be filed on SEDAR (www.sedar.com) by the Capital Pool Company. The Information Circular/Filing Statement sets out, in detail, disclosure regarding the proposed Qualifying Transaction, the Capital Pool Company, the Target, and the Resulting Issuer. The required financial statements must also be appended to the Information Circular/Filing Statement.

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Except where the Resulting Issuer is an oil & gas issuer or a mining issuer, when the Qualifying Transaction of a Capital Pool Company that is a reporting issuer in Ontario involves the acquisition of a significant asset not located in Canada or the United States, the Qualifying Transaction must be undertaken using a prospectus as the disclosure document.

Depending on the Target Company, the following may also be required:

Completing Technical Reports (Mining or Oil & Gas)

If the Resulting Issuer will be a mining or oil & gas company, one or more technical reports must be prepared and reviewed by the TSXV as required by TSXV rules and applicable securities laws. These reports will be filed on SEDAR upon completion of the Qualifying Transaction.

Engaging a Sponsor

In certain cases, the TSXV requires that a sponsor be engaged in connection with the completion of a Qualifying Transaction. The sponsor will generally be an investment bank or other TSXV-qualified advisor, who will be required to conduct a due diligence review of the Target and prepare a report for the TSXV. The TSXV will rely on the sponsor's report when assessing whether the Resulting Issuer will meet the TSXV's prescribed requirements and is suitable for listing on the TSXV. A sponsor is not typically required where a brokered private placement is being completed in connection with the Qualifying Transaction.

Closing and Post-Closing Matters

The TSXV will issue a final bulletin when the Qualifying Transaction has been completed and the TSXV has received and approved all of the final documentation required to be submitted. The bulletin will indicate that the Qualifying Transaction has been completed and also specify a date on which the Resulting Issuer's shares will commence trading under its new name. Post-closing, the new board of directors will have to meet and attend to various matters relating to the governance of the Resulting Issuer.

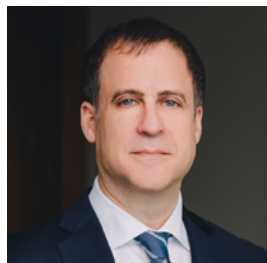
Aird & Berlis – Experienced Capital Pool Company Professionals

The Aird & Berlis Capital Pool Company/Reverse Takeover Group has a wealth of knowledge and experience in assisting clients with the Capital Pool Company process — from the initial public offering stage to the Qualifying Transaction, and continuing on as counsel for the resulting issuer following the completion of the Qualifying Transaction.

Over the past several years, we have gained recognition as a leader in the Capital Pool Company space and earned a favourable reputation by leveraging our experience to provide clear and effective guidance for our clients. We take pride in the fact that our clients have successfully completed a significant number of Qualifying Transactions and have become resulting issuers in a diverse number of industries including mining, technology and agriculture across the globe (including the United States, Canada, Africa, South America and Asia).

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Group Members



Richard M. Kimel
T 416.865.3961
rkimel@airdberlis.com



Sherri M. Altshuler
T 416.865.3081
saltshuler@airdberlis.com



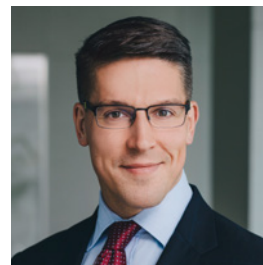
Melanie Cole
T 416.865.4638
mcole@airdberlis.com



Adria Leung Lim
T 416.865.3402
aleunglim@airdberlis.com



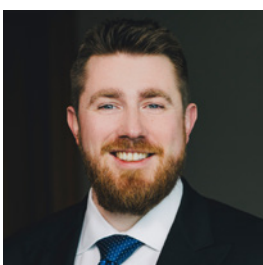
Alicia McKeag
T 416.865.7732
amckeag@airdberlis.com



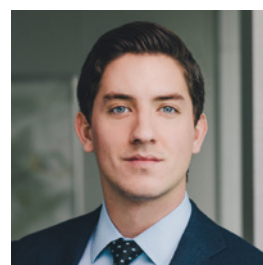
Jeffrey K. Merk
T 416.865.7768
jmerk@airdberlis.com



Margaret T. Nelligan
T 416.865.7710
mnelligan@airdberlis.com



Graham Topa
T 416.865.4739
gtopa@airdberlis.com



Liam Tracey-Raymont
T 416.865.3964
ltracey-raymont@airdberlis.com

For more information about the Aird & Berlis Capital Pool Company/Reverse Takeover Group, please visit airdberlis.com.

Capital Pool Company Program



SCHEDULE A

TSX VENTURE EXCHANGE - INITIAL LISTING REQUIREMENTS

INITIAL LISTING REQUIREMENTS - MINING SEGMENT		
Listing Requirement	Tier One	Tier Two
Net Tangible Assets or Revenue (as applicable)	\$2,000,000 NTA	No requirement
Property or Reserves	Issuer has material interest in a Tier 1 Property	Issuer has Significant Interest in a Qualifying Property or, at the discretion of the Exchange, a right to earn a Significant Interest in the Qualifying Property
Prior Expenditures and Work Program	(i) A work program with an initial phase of no less than \$500,000 as recommended in a Geological Report and (ii) Satisfaction of other Tier 1 Property requirements	(i) Sufficient evidence of no less than \$100,000 of Approved Expenditures by Issuer on the Qualifying Property within 36 months period preceding Application for Listing and (ii) A work program with an initial phase of no less than \$200,000, as recommended in a Geological Report
Working Capital and Financial Resources	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 18 months following listing and (ii) \$200,000 in unallocated funds	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 12 months following listing and (ii) \$100,000 in unallocated funds
Public Distribution	(i) Public Float of 1,000,000 shares, (ii) 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders	(i) Public Float of 500,000 shares, (ii) 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders
Other Criteria	Geological Report recommending completion of work program (Sponsor Report if required)	

*Please refer to the TSXV Corporate Finance Manual for all defined terms used in the above table.

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INITIAL LISTING REQUIREMENTS - OIL & GAS (EXPLORATION OR RESERVES) SEGMENT		
Listing Requirement	Tier One	Tier Two
Net Tangible Assets or Revenue (as applicable)	No requirement	No requirement
Property or Reserves	<p>(a) Exploration: \$3,000,000 in reserves of which a minimum of \$1,000,000 must be proved developed reserves and the balance probable reserves</p> <p>(b) Producing: \$2,000,000 in proved developed reserves</p>	<p>(a) 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</p> <p>(b) Reserves: either (i) \$500,000 in proved developed producing reserves or (ii) \$750,000 in proved plus probable reserves</p>
Prior Expenditures and Work Program	<p>(a) 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</p> <p>(b) Producing: no requirement</p>	<p>(a) 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</p> <p>(b) 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 a Geological Report</p>
Working Capital and Financial Resources	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 18 months following listing and (ii) \$200,000 in unallocated funds	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 12 months following listing and (ii) \$100,000 in unallocated funds
Public Distribution	(i) Public Float of 1,000,000 shares, (ii) 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders	(i) Public Float of 500,000 shares, (ii) 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders
Other Criteria	Geological Report recommending completion of work program (Sponsor Report if required)	

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INITIAL LISTING REQUIREMENTS - INDUSTRIAL OR TECHNOLOGY OR LIFE SCIENCES SEGMENT		
Listing Requirement	Tier One	Tier Two
Net Tangible Assets or Revenue (as applicable)	\$5,000,000 NTA or \$5,000,000 revenue	\$750,000 NTA or \$500,000 in revenue or \$2,000,000 Arm's Length Financing
Property or Reserves	Issuer has Significant Interest in business or primary asset used to carry on business	Issuer has Significant Interest in business or primary asset used to carry on business
Prior Expenditures and Work Program	History of operations or validation of business	History of operations or validation of business
Working Capital and Financial Resources	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 18 months following listing and (ii) \$200,000 in unallocated funds	(i) Adequate Working Capital and Financial Resources to carry out stated work program or execute business plan for 12 months following listing and (ii) \$100,000 in unallocated funds
Public Distribution	(i) Public Float of 1,000,000 shares, (ii) 250 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders	(i) Public Float of 500,000 shares, (ii) 200 Public Shareholders each holding a Board Lot and having no Resale Restrictions on their shares and (iii) 20% of issued and outstanding shares in the hands of Public Shareholders
Other Criteria	If no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months (Sponsor Report if required)	

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