

POLICY 2.1

INITIAL LISTING REQUIREMENTS

Scope of Policy

This Policy sets out the Initial Listing Requirements, or ILR for all Issuers making application for a New Listing on the Exchange, including a listing following an Initial Public Offering, an application for listing by an Issuer that was previously listed on another stock exchange or otherwise meets all Exchange ILR before listing, a Reverse Takeover and a Change of Business. This Policy also applies to a Capital Pool Company conducting its Qualifying Transaction in accordance with Policy 2.4 - *Capital Pool Companies*.

Securities to be Listed

This Policy applies only to a New Listing of common shares (or equivalent securities) of an Issuer. The Exchange will not generally accept an application for listing of securities of an Issuer other than common shares, except where the common shares of that Issuer are already listed, or where the common shares and the other class of securities will be contemporaneously listed. For the purpose of this Policy, a security is equivalent to common shares if it has a single voting right and a right to participate in the distribution of property upon dissolution or winding-up, and generally includes class A shares and limited partnership units. An Issuer seeking to list both common shares and another class of security, such as warrants, should refer to Policy 2.8 - *Supplemental Listings* for the distribution and other requirements applicable to the other class of securities.

An Issuer seeking to list only securities which are not common shares or equivalents should consult with Exchange staff and schedule a pre-filing conference. Applications to list securities other than common shares or equivalents will be considered on a case-by-case basis. See Policy 2.8 - *Supplemental Listings*, Policy 3.5 – *Restricted Shares* and Policy 2.7 - *Pre-Filing Conferences*.

The main headings in this Policy are:

1. Introduction - Tiers and Industry Segments
2. Initial Listing Requirements
3. Pricing
4. Pre-Listing Transactions and Capital Structure
5. Exercise of Discretion

A list of notes is also set out at the end of this Policy for additional guidance.

1. Introduction – Tiers and Industry Segments

1.1 General

The Exchange currently classifies Issuers into different tiers based on standards, including historical financial performance, stage of development and financial resources of the Issuer at the time of listing. Specific Initial Listing Requirements for each industry segment in each of Tier 1 and Tier 2 have been developed. This Policy outlines the Initial Listings Requirements for each industry segment in Tier 1 and Tier 2.

1.2 Distinctions between Tiers and Industry Segments

- (a) Tier 1 is the Exchange's premier tier and is reserved for the Exchange's most advanced Issuers with the most significant financial resources. Tier 1 Issuers benefit from decreased filing requirements and improved service standards. Tier 2 is the tier where the majority of the Exchange's listed Issuers will trade.
- (b) The Exchange classifies listed Issuers into different classes based on the industry segment of the Issuer's business. The Exchange will classify Issuers based on information that is available in the Issuer's application. An Issuer should specify in its initial Application for Listing or other New Listing application, the tier and industry segment it is applying to be listed on. The Exchange, at its discretion, can designate an Issuer into a different category or tier than the one applied for.
- (c) A Tier 1 or Tier 2 Issuer generally has a two or three letter stock symbol.

2. Initial Listing Requirements

2.1 Every Issuer making Application for Listing, at the time its securities are listed for trading, must:

- (a) meet the minimum quantitative requirements set out in sections 2.5 or 2.6, as applicable, of this Policy for a particular tier and industry segment;
- (b) meet the minimum distribution requirements set out in sections 2.5 or 2.6, as applicable, of this Policy applicable to the particular tier on which the applicant Issuer is applying to be listed;
- (c) be in compliance with the requirements set out in section 4 of this policy applicable to pre-listing transactions and capital structure;
- (d) be in compliance with Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporate Governance*, including the suitability and qualifications of directors and management;
- (e) have had a Sponsor submit a final Sponsor Report where required; and

- (f) have submitted all agreements, reports, other documentation and information as required by Policy 2.3 – *Listing Procedures*.
- 2.2 Except in the case of a Mining Issuer, Oil & Gas Issuer or an Investment Issuer, an Issuer must have Significant Interest in the business that forms the basis of its listing on the Exchange. In addition, the Issuer must have a means to enable it to retain at least the Significant Interest in the business.
- 2.3 For the purposes of this Policy 2.1, an “Arm’s Length Financing” is any financing from which no more than 25% of the proceeds are obtained from Non Arm’s Length Parties.
- 2.4 Issuers should consult the notes which follow section 5.3 of this Policy 2.1 for additional guidance regarding ILR.

2.5 The following table sets out the Initial Listing Requirements and industry segments for Tier 2 Issuers:

Tier 2 Initial Listing Requirements				
Standard	Industry Segments			
	Mining	Oil & Gas (Exploration or Reserves)	Industrial or Technology or Life Sciences	Real Estate or Investment
Net Tangible Assets or Revenue or Arm's Length Financing (as applicable)	no requirement	no requirement	\$750,000 NTA or \$500,000 in revenue or \$2,000,000 Arm's Length Financing	\$2,000,000 NTA or \$3,000,000 Arm's Length Financing
Property or Reserves	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	(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 (b) Reserves: either (i) \$500,000 in proved developed producing reserves or (ii) \$750,000 in proved plus probable reserves	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	(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	(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 (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	history of operations or validation of business	Real Estate: no requirement Investment: (i) disclosed investment policy and (ii) 50% of available funds must be allocated to at least 2 specific investments
Working Capital and Financial Resources	(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 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			

Tier 2 Initial Listing Requirements				
Standard	Industry Segments			
	Mining	Oil & Gas (Exploration or Reserves)	Industrial or Technology or Life Sciences	Real Estate or Investment
Other Criteria	Geological Report recommending completion of work program (Sponsor Report if required)	Geological Report recommending completion of work program (Sponsor Report if required)	if no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months (Sponsor Report if required)	(Sponsor Report if required)

2.6 The following tables sets out the Initial Listing Requirements for Tier 1 Issuers:

Tier 1 Initial Listing Requirements				
Standard	Industry Segments			
	Mining	Oil & Gas (Exploration or Producing)	Industrial or Technology or Life Sciences	Real Estate or Investment
Net Tangible Assets or Revenue (as applicable)	\$2,000,000 NTA	no requirement	\$5,000,000 NTA or \$5,000,000 revenue	Real Estate: \$5,000,000 NTA Investment: \$10,000,000 NTA
Property or Reserves	Issuer has material interest in a Tier 1 Property	(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 (b) Producing: \$2,000,000 in proved developed reserves	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	(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	(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 (b) Producing: no requirement	history of operations or validation of business	Real Estate: no requirement Investment: disclosed investment policy
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			
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			

Tier 1 Initial Listing Requirements

Standard	Industry Segments			
	Mining	Oil & Gas (Exploration or Producing)	Industrial or Technology or Life Sciences	Real Estate or Investment
Other Criteria	Geological Report recommending completion of work program (Sponsor Report if required)	Geological Report recommending completion of work program (Sponsor Report if required)	if no revenue, two year management plan demonstrating reasonable likelihood of revenue within 24 months (Sponsor Report if required)	(Sponsor Report if required)

3. Pricing

An Issuer cannot sell any securities issued in its Initial Public Offering for less than \$0.10 per security.

4. Pre-Listing Transactions and Capital Structure

- 4.1 The capital structure of an Issuer making application for an Initial Listing or a New Listing must be acceptable to the Exchange. Before a New Listing or Initial Listing, all securities issued to Principals of the Issuer or the Resulting Issuer, as well as securities issued below certain price levels, are generally required to be escrowed or held subject to hold periods.
- 4.2 Subject to section 4.3 of this Policy 2.1, where convertible securities (such as stock options, common share purchase warrants, special warrants, convertible debentures or notes) are issued prior to listing and exercisable or convertible into Listed Shares at a price that is less than the issuance price per security under a Prospectus offering or other financing or acquisition undertaken contemporaneously with the Application for Listing, the underlying security will be subject to escrow, if issued to a Principal, or the Seed Share Resale Restrictions in all other cases.
- 4.3 Where there is no concurrent financing, the minimum permitted price at which the securities can be exercisable or convertible, and not be subject to escrow or an Exchange hold period pursuant to Exchange Seed Share Resale Restrictions under Policy 5.4, is the greater of the Market Price and \$0.10. The Exchange will not permit the exercise, conversion or exchange price of any exercisable, convertible or exchangeable security to be fixed unless and until the security has been granted to a particular Person.
- 4.4 If an Issuer has completed a Private Placement of convertible securities anticipated to be qualified pursuant to Prospectus or otherwise within the three month period prior to its application for a New Listing, and the issuance price per convertible security is less than the Prospectus or Market Price at the time of the New Listing, the Exchange may impose an Exchange Hold Period on the underlying securities pursuant to the Seed Share Resale Restrictions, whether or not the underlying securities have been qualified for distribution by a Prospectus. Alternatively, the Exchange can require that some or all of those securities be escrowed. See Policy 3.2 – *Filing Requirements and Continuous Disclosure* for the terms of any hold period and Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* for the terms of applicable escrow.
- 4.5 The Exchange will generally not accept an Application for Listing if the aggregate number of Listed Shares owned, directly or indirectly, by the Pro Group exceeds 20% of the total issued and outstanding Listed Shares of the Issuer at the time of listing. Additional restrictions on Pro Group participation apply in the case of Capital Pool Companies. See Policy 2.4 – *Capital Pool Companies*.

- 4.6 The Exchange will generally not accept an Application for Listing if securities offered by Prospectus or Private Placement have been purchased by the Pro Group, unless, after a bona fide offering of the total amount of the offering to the public, the offering has not been fully subscribed.
- 4.7 The Exchange may refuse an Application for Listing if the Issuer's capital structure appears to be excessively dilutive or otherwise imbalanced. In assessing whether an Issuer's capital structure appears to be excessively dilutive or imbalanced, the Exchange will review all documents submitted by the Issuer in its Application for Listing. If, during this review, the Exchange determines that the Issuer has issued shares to any Person at an effective price of less than \$0.05 per share prior to the proposed New Listing, the Exchange may request, in these instances, additional information from, or action on the part of, the Issuer, including amendments to the Issuer's capital structure, before approving an Application for Listing. Issuers are therefore encouraged to consult with Exchange staff on the acceptability of their capital structures for listing purposes prior to submitting their Applications for Listing. Issuers should also ensure, prior to making an Application for Listing, that any of their securities have been validly issued in accordance with the corporate laws of the Issuer's jurisdiction of incorporation or formation.

The Exchange will apply guidelines contained in bulletins it publishes from time to time in making any decision on the suitability of an Issuer's capital structure. The Exchange will also consider, if applicable, an Issuer's history of operations, its listing category, its ownership of, or interest in, an asset or assets of determinable value, and the amount of any Arm's Length Transaction financing undertaken by the Issuer, and associated with its listing, before making any decision on capital structure, adequacy and acceptability.

5. Exercise of Discretion

- 5.1 When reviewing an Application for Listing, the Exchange will consider the public interest and any facts or circumstances unique to the Issuer.
- 5.2 The Exchange will also consider whether:
- (a) the past conduct of any Insider suggests that the business of the Issuer will not be conducted with integrity and in the best interests of the Public Shareholders;
 - (b) the rules and regulations of any exchange or regulatory authority have not been complied with by any Insider; and
 - (c) the distribution of the Issuer's securities to Public Shareholders is not sufficient to ensure an orderly market or appears to be susceptible to manipulation or abuse.
- 5.3 Whether or not an applicant Issuer appears to satisfy the Initial Listing Requirements, the Exchange may:
- (a) impose listing requirements of a more restrictive nature;

- (b) impose additional listing requirements;
- (c) waive, modify or impose any other terms or conditions that it considers advisable;
- (d) refuse to accept the Application for Listing for public policy reasons which may include that the nature of the business is unacceptable to the Exchange; or
- (e) classify an Issuer in a different tier or industry segment than the one the Issuer applied for.

Guidance Notes for Policy 2.1

N.1 Financial Requirements - General

The Exchange will usually include the assets of other entities acquired concurrent with an Issuer's listing in determining the Issuer's Working Capital, Financial Resources, available cash and NTA. The Exchange will include in its NTA evaluation any cash proceeds raised in any financing which is completed concurrent with the listing. The costs necessary to carry on an Issuer's business must include general and administrative expenses necessary to meet Exchange Requirements and Securities Laws following listing. Generally, the Exchange considers Issuers with a history of positive cash flow to have sufficient Financial Resources to meet general and administrative expenses. However, the Exchange may also consider an Issuer's revenues when determining Working Capital and Financial Resources, even if the Issuer does not have positive cash flow.

N.2 Public Float and Distribution – General

The Exchange will exclude from both the Public Float and shares held by Public Shareholders determinations any shares obtained in a distribution which (i) is contrary to Securities Laws or Exchange Requirements or (ii) was effected principally by way of gift.

Distribution requirements are not met if, at the time of listing, the aggregate number of Listed Shares beneficially owned or controlled, directly or indirectly, by the Pro Group (before inclusion of any Agent Options) exceeds 20% of the Issuer's Listed Shares outstanding. If less than 25 shareholders hold more than one-half of the Public Float (a "tight float"), the Exchange may also require further distribution. Issuers expecting a tight float should discuss distribution with the Exchange as early as possible in a pre-filing conference.

N.3 Resource Issuers – Mining and Oil & Gas

Recommendation of any work program for an Issuer seeking a listing in the Mining or Oil & Gas industry segments must be made in Geological Reports prepared in accordance with the applicable provisions of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") or National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), as the case may be. With respect to the independence of a Geological Report, the Exchange will generally defer to the requirements of NI 43-101 or NI 51-101 and the respective independence requirement, or definition of the term "independent", which is contained in those instruments. However, the Exchange may, at its discretion and notwithstanding no similar requirement in NI 43-101 or NI 51-101, require that the Geological Report be "independent".

N.3 (1) Mining Issuers

Issuers should consult with the Exchange regarding the work program and details on the type of Geological Report that is required. The Exchange may waive all or a portion of the Approved Expenditures requirement by comparing the size of the work program against any Approved Expenditures, the size of an Arm's Length Financing concurrent with the listing and the experience of an Issuer's management team. The Exchange may add back to NTA any direct costs incurred by an Issuer on a project in the five year period preceding the listing application provided those direct costs have been expensed in the Issuer's financial statements.

N.3 (2) Oil & Gas Issuers

"proved reserves" and "probable reserves" have the meanings given in the COGE Handbook. Development status and production status must also be determined in accordance with the requirements of the COGE Handbook. Dollar amounts to be used to value reserves are the Issuer's future net revenues before income taxes, calculated in accordance with NI 51-101, using a discount rate of 15% and prices and costs forecasted in the Geological Report.

Issuers should consult with the Exchange regarding both the work program and Geological Report contents required by the Exchange for unproven properties.

The work program for an unproven property should comprise either:

- (i) a proposed drilling program that includes a minimum of three independent drill hole target locations with sufficient funds to complete each well; or
- (ii) an exploration work program that recommends:
 - A. further exploration on the prospects such as seismic program to verify or confirm numerous drill locations for either test or exploratory drill holes where the prospects are on large tracts of land; or
 - B. seismic programs on very large tracts of unproved property with several prospects that will have potential to generate numerous drill targets.

The Geological Report for an unproven property should contain, in addition to the requirements in NI 51-101 and the COGE Handbook, the following:

- (i) location of the prospect;
- (ii) any land lease terms;
- (iii) land holding size;
- (iv) land location maps;
- (v) expanded geological descriptions and discussions;
- (vi) net pay maps, structural maps and isopach maps, where applicable;
- (vii) land acquisition details and details about exploration work conducted to date;
- (viii) details on any proposed work program including drill hole locations, estimated costs to drill the wells, seismic work and timetable; and
- (ix) all supporting material, information and summary discussions of results obtained that justify the work program including results, result interpretation(s), conclusions and recommendations.

N.4 Industrial, Life Science or Technology Issuers - General

To meet any revenue requirements, revenues must be derived from commercial operations in the last 12 months. The Exchange may add back to NTA any direct costs incurred by an Issuer on a project in the five year period preceding the listing application provided those direct costs have been expensed in the Issuer's financial statements. The Exchange will deduct from NTA those assets which do not relate to the Issuer's current business at the time of listing.

Property requirements for life sciences or technology issuers will generally be interpreted by the Exchange to mean "intellectual property". Issuers must ensure that they either own the intellectual property or that they are entitled, or have rights, to its usage under the provisions of a legally valid and enforceable licence agreement.

N.4 (1) Industrial, Life Science or Technology Issuers – Validity of Business

The Exchange may consider, among other things, the following in determining the validity of a business:

- (i) the existence of any working prototype;
- (ii) the existence of any satisfactory testing demonstrating reasonable likelihood of commercial viability;
- (iii) the existence of any joint venture or collaborating arrangements with a credible partners;
- (iv) the existence of any reputable third party evaluations;
- (v) the existence of any clinical evidence; and
- (vi) the existence of any university sponsorship.

Issuers should discuss validation of business issues with the Exchange as early as possible in a pre-filing conference. Issuers should not commission third party reports, in the hope of meeting Exchange Requirements, before first discussing the issue with the Exchange in a pre-filing conference.
