

CORPORATE FINANCE MANUAL (the “Manual”)

UPDATE NOTICE ***January 15, 2003***

Last Update Notice – November 12, 2002

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

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

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

Re: Amendments to Policy 2.4 – Capital Pool Companies

The TSX Venture Exchange is pleased to announce that effective immediately (the “Effective Date”) three significant amendments have been made to Policy 2.4 – *Capital Pool Companies* (the “CPC Policy”), which are designed to improve the efficiency of the CPC program. These improvements are the result of extensive consultation with various industry representatives, including securities regulators. The amendments to the CPC Policy are as follows:

1. the Exchange requirement for shareholder approval for arm’s length Qualifying Transactions has been eliminated, where shareholder approval is not otherwise required by corporate or securities laws,
2. CPCs will be permitted to raise maximum gross proceeds totalling \$2,000,000, prior to the Completion of a Qualifying Transaction, and
3. CPCs may be permitted to combine in circumstances where a Qualifying Transaction has not been announced and may not be imminent.

The purpose of this Update Notice is to briefly summarize the amendments and to clarify how these amendments may be utilized by CPCs that have been issued a receipt for either a preliminary CPC Prospectus or a (final) CPC Prospectus, and have not completed a Qualifying Transaction prior to the Effective Date.

Issuers are encouraged to review the CPC Policy, which sets out these amendments in detail.

Summary of Amendments

Elimination of Shareholder Approval

The Exchange will no longer require CPCs to obtain shareholder approval for a Qualifying Transaction where it is effected with arm's length parties and is not subject to Policy 5.9 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*. Shareholder approval will continue to be required where there is a Non Arm's Length Qualifying Transaction, as defined in the CPC Policy. This amendment is in relation to the Exchange requirement for shareholder approval of a Qualifying Transaction and does not eliminate shareholder approval requirements that are imposed by corporate or securities laws.

In the circumstances of an arm's length Qualifying Transaction or where shareholder approval is not otherwise required, CPCs will be required to file a CPC Filing Statement, prepared in accordance with new Form 3B2. The CPC Filing Statement contains prospectus level disclosure respecting the CPC, assuming the Completion of the Qualifying Transaction, and any Target Company. The disclosure in the CPC Filing Statement is identical to the disclosure currently required by a CPC Information Circular, except as to proxy and meeting matters. Following acceptance by the Exchange, the final CPC Filing Statement will be required to be filed on SEDAR at least seven business days before the closing of the Qualifying Transaction.

Where there is a Non Arm's Length Qualifying Transaction, or where shareholder approval is otherwise required, current procedures have not changed. Following acceptance by the Exchange, CPCs will be required to send to shareholders and file on SEDAR the CPC Information Circular prepared in accordance with Form 3B1. The disclosure in the CPC Information Circular has not changed substantively from the existing CPC Information Circular (Form 3B).

CPCs should note that although the Exchange has made an application to applicable securities regulatory authorities, the CPC Filing Statement, unlike the CPC Information Circular, has not yet been approved as a "current AIF", for the purposes of Multilateral Instrument 45-102 – *Resale of Securities* ("MI 45-102"). Accordingly, any CPC utilizing a Filing Statement and effecting a private placement in conjunction with a Qualifying Transaction, will not be considered to be a "qualifying issuer". As a result, in the absence of exemptive relief or amendments to MI 45-102, any securities that are issued pursuant to the private placement will not be subject to the shorter restricted periods or seasoning periods applicable to qualifying issuers, as provided by MI 45-102.

Increase of Funds Raised to \$2,000,000

CPCs will be able to raise up to a maximum of \$2,000,000, prior to Completion of a Qualifying Transaction. These proceeds may include seed capital proceeds, proceeds from the initial public offering (the “IPO”) as well as proceeds raised pursuant to a private placement. The minimum seed capital proceeds shall, however, continue to be \$100,000, with the maximum of such proceeds being \$500,000. Regardless of the amount of proceeds raised, the maximum amount available to the CPC for general and administrative expenses will be the lesser of 30% of the gross proceeds raised and \$210,000.

As a consequence of this change and in order to better protect the interests of CPC investors, at the time of filing of initial materials with the Exchange and the Commission(s), the CPC and each of its directors and officers will be required to provide an undertaking (the “Undertaking”) to the Exchange and the Commissions to the effect that:

- (a) they will comply with the use of proceeds restrictions in the CPC Policy,
- (b) in the event that the CPC’s Listed Shares are delisted, within 90 days of delisting, they will wind-up and distribute the CPC’s remaining assets to its shareholders on a pro rata basis, unless, pursuant to a majority of the minority vote, the shareholders approve another use of the remaining assets (the “Delisting Consequences”), and
- (c) within 90 days of any such delisting, they will provide to the Commissions written confirmation as to their compliance with the above undertakings.

Disclosure as to the Delisting Consequences will also be required to be included in the revised CPC Prospectus Form (Form 3A).

CPC Combinations Prior to Identification of a Qualifying Transaction

CPCs will be permitted to combine with other CPCs prior to a Qualifying Transaction being identified, provided that the funds available to the combined CPC, after the closing of the combination, will not exceed \$2,000,000. This amendment applies to both existing CPCs as well as future CPCs.

Disclosure as to the Delisting Consequences must be included in the disclosure document (i.e., information circular, etc.) used to effect the combination. In addition, at the time of the filing of the disclosure document, each CPC proposing to effect the combination, must file the Undertaking from that CPC, each director and officer of that CPC as well as each of the incoming directors and officers of the combined CPC.

The combined CPC will have a period of 12 months from the closing date of the combination to effect the Completion of the Qualifying Transaction.

Application of Amendments to Existing CPCs

In the event that a CPC has been issued a receipt for its preliminary CPC Prospectus or its (final) CPC Prospectus, but has not yet completed its Qualifying Transaction prior to the Effective Date, such CPCs may rely on the above amendments. In order to do so, the CPC will be required to hold a pre-filing conference with staff of the Exchange.

A CPC proposing to effect an arm's length Qualifying Transaction without shareholder approval, will be subject to the following conditions:

- (a) a meeting of the CPC's shareholders must be held in order to obtain approval, by means of a majority of the minority vote, to permit management to effect an arm's length Qualifying Transaction, at a future date in compliance with the CPC Policy, without the necessity of shareholder approval;
- (b) the counsel for the CPC will be required to provide a legal opinion to the Exchange to the effect that the elimination of shareholder approval will not contravene applicable corporate or securities laws; and
- (c) the information circular being utilized to obtain such approval must include disclosure as to the Delisting Consequences.

If the CPC proposes to raise total funds in excess of the restrictions imposed under the CPC Policy, published on June 15, 2002, the CPC and each of its directors and officers will be required to provide the Undertaking.

Re: Capital Pool Companies – Addition of Identifier to Trading Symbols

In order to identify Capital Pool Companies for example, the trading symbol "ABC" will become "ABC.P".

This change will not impose any new requirements on CPCs, and in particular, CPCs will not be required to make any amendments to their CUSIP numbers or share certificates.

Re: Extension of Time to Effect Private Placements at Less than \$0.10 per Share

Effective November 1, 2001 the Exchange introduced certain new procedures designed to assist issuers in effecting private placements. These new procedures permitted Issuers, on a one-time basis only, to effect a private placement at a price of less than \$0.10 per share to a minimum price of \$0.05 per share, provided that certain conditions were satisfied, as set forth in Policy 4.1 – *Private Placements*. These procedures were due to expire on December 31, 2002. The Exchange has now received regulatory approval to extend these procedures until December 31, 2003.

The conditions that must be satisfied in order to rely on these procedures have not changed and are reflected in Policy 4.1.

Re: Inactive Issuers – Addition of Identifier to Trading Symbols

In order to more readily identify Inactive Issuers (i.e. shell companies) to investors, the Exchange has added the identifier ".T" to the trading symbol for listed companies that are designated as Inactive Issuers. For example, the trading symbol "HIJ" will become "HIJ.T".

This change will not impose any new requirements on Inactive Issuers, and in particular, Inactive Issuers will not be required to make any amendments to their CUSIP numbers or share certificates.

For more details regarding the characteristics and restrictions applicable to Inactive Issuers, please consult *Policy 2.6 - Inactive Issuers and Reactivation*.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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