



## NEX POLICY

### MARKET STATEMENT

NEX is a separate board of the TSX Venture Exchange. NEX is designed for Companies previously listed on TSX Venture Exchange or Toronto Stock Exchange that have failed to comply with the ongoing financial listing standards of those markets. NEX provides a trading forum for publicly listed shell Companies while they seek and undertake transactions which will result in the Company carrying on an active business.

### DISCRETION

NEX reserves the right to exercise its discretion in applying its policies. NEX can waive or modify its existing requirements or impose additional requirements. Listing on NEX is a privilege, not a right, and NEX may refuse to list any Company.

### 1. INTERPRETATION

#### Definitions

#### 1.1 In these Policies:

*"Business Days"* means full days on which business is normally conducted and does not include statutory holidays and weekends. In the case of a filing, business days do not include the day on which the filing is made. For example where a Company files a transaction on a Monday, if NEX has any objection, it will respond within three business days, meaning by the close of business on Thursday.

*"Company"* and *"Companies"* include any form of legal entity previously listed on TSX Venture Exchange or Toronto Stock Exchange.

*"Listed Company"* and *"Listed Companies"* refer to companies listed on NEX.

*"NEX"* refers to the board of TSX Venture known as "NEX" and governed by these policies.

**“NEX Requirements”** means and includes the policies, rules (including UMIR), orders, notices, rulings, forms, decisions and regulations of NEX, and any instructions, decisions and directions of a Regulation Services Provider or NEX, and all applicable provisions of the Securities Laws of any applicable jurisdiction.

**“TSX Venture”** means TSX Venture Exchange.

## **References to TSX Venture Policies**

- 1.2 Unless otherwise noted, all other capitalized terms have the same meanings as defined in the policies of TSX Venture, except that references to the Exchange are substituted with references to NEX.
- 1.3 Where Listed Companies are required to comply with TSX Venture policies, references to the Exchange in those policies will be read so as to refer to NEX as applicable.

## **2. LISTING**

### **Eligibility/Qualification for Listing**

- 2.1 The following Companies are eligible for listing on NEX:
  - a. Companies that have failed to comply with TSX Venture's Tier Maintenance Requirements for Tier 2 Issuers or Toronto Stock Exchange's continuous listing requirements; and
  - b. former TSX Venture Capital Pool Companies (“CPCs”) which have not completed a Qualifying Transaction within the time permitted under the CPC policy and have obtained the requisite shareholder approval to list on NEX.
- 2.2 In order to qualify to trade on NEX, a Company must:
  - a. be in good standing with TSX Venture or Toronto Stock Exchange (other than the failure to comply with TSX Venture’s Tier Maintenance Requirements for Tier 2 Issuers or Toronto Stock Exchange's continuous listing requirements);
  - b. be a reporting issuer in good standing with all relevant securities regulatory authorities and under corporate law; and
  - c. have a minimum of 150 public shareholders, each holding at least one board lot of freely tradable securities.

- 2.3 Companies that are eligible for listing, but not qualified to trade on NEX will be listed on NEX, but have trading in their securities halted or suspended until such time that they meet the above noted criteria.
- 2.4 Where the Company is a CPC, it must:
- a. obtain majority shareholder approval for the transfer to NEX exclusive of the votes of Non-Arm's Length Parties of the CPC; and
  - b. either
    - (i) cancel all Seed Shares purchased by Non-Arm's Length Parties to the CPC at a discount from the IPO price, in accordance with section 11.2(a) of TSX Venture Policy 2.4 - *Capital Pool Companies*, or
    - (ii) subject to majority shareholder approval, cancel an amount of Seed Shares purchased by Non Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

### **Refusal of Listing**

- 2.5 NEX may refuse to list any Company where it determines in its discretion that such refusal to list is in the best interests of NEX. Circumstances where NEX may refuse to list a Company may include:
- a. where the capital structure, float or distribution of the Company's securities are not acceptable to NEX; or
  - b. where the identity of insiders and /or other shareholders cannot be identified to the satisfaction of NEX.

### **Filing Requirements**

- 2.6 Companies transferring their listing to NEX must submit the following documents:
- a. Listing Notification (Form A); and
  - b. any other document that may be required by NEX.

### 3. MANAGEMENT AND CORPORATE GOVERNANCE

#### Directors, Officers and Insiders

- 3.1 A Listed Company must have at least 3 directors:
- a. at least one of whom must not be an employee, senior officer, Control Person or management consultant of the Company, its Associates or Affiliates;
  - b. at least one of whom must have public company experience satisfactory to NEX;
  - c. all of whom must meet the requirements of section 2.3 of TSX Venture Policy 3.1 - *Directors, Officers and Corporate Governance*; and
  - d. none of who may be of the classes of persons enumerated by section 2.4 of TSX Venture Policy 3.1.
- 3.2 NEX will review the suitability of all directors, officers and Insiders of a Listed Company and may, in its discretion:
- a. refuse to list; or
  - b. delist;
- any Listed Company with management or Insiders that are unacceptable to NEX.
- 3.3 A Listed Company must immediately inform NEX of any proposed change in the directors, officers and Insiders of the Company by filing:
- a. Form E - *Notice of Change of Management* including a completed Personal Information Form (TSX Venture Form 2A) or, if applicable, a Declaration (TSX Venture Form 2C1), for each new director and officer; and
  - b. a Personal Information Form or, if applicable, a Declaration, for each new Insider.
- 3.4 The board of directors of each NEX Company must adopt procedures to ensure that all employment, consulting or other compensation arrangements between the Company and any director or senior officer of the Company or between any subsidiary of the Company and any director or senior officer are considered and approved by its independent director(s).

## **4. DISCLOSURE/FILING**

### **Disclosure**

4.1 Listed Companies must comply with all disclosure provisions of all applicable Securities Laws.

4.2 Listed Companies must comply with TSX Venture Policy 3.3 - *Timely Disclosure*.

### **4.3 Disclosure of Management Compensation**

- (a) The Issuer must include the following disclosure in its interim MD&A unless it is included in its financial statements. The Issuer must also make this disclosure in its annual MD&A unless such disclosure is made in its financial statements, Annual Information Form or Information Circular:
- (i) any standard compensation arrangements made directly or indirectly with directors and officers of the Listed Company for their services as directors or officers, or in any other capacity, from the Listed Company and its subsidiaries during the most recently completed financial quarter. The disclosure must state the amounts paid and payable under the arrangements and must include any additional amounts payable for committee participation or special assignments;
  - (ii) any other arrangements under which directors and officers were directly or indirectly compensated for their services as directors and officers, or in any other capacity, from the Listed Company and its subsidiaries during the most recently completed financial quarter. The disclosure must state the amounts paid and payable and the name of the director or officer; and
  - (iii) any arrangement relating to severance payments to be paid to directors and officers of the Listed Company and its subsidiaries, entered into during the most recently completed financial quarter.

## **General Filing Requirements**

- 4.4 Listed Companies must file all materials required by NEX Policies with NEX which is located at:

#2700 – 650 West Georgia Street  
P.O. Box 11633  
Vancouver, B.C.  
V6B 4N9  
Phone: (604) 689-3334  
toll free: 1-866-344-5639  
fax: (604) 844-7502  
website: <http://www.tsx.com/en/nex>

- 4.5 Listed Companies must ensure NEX is provided with a current address, telephone number, fax number, email address, and contact person's name to which NEX communication, as well as shareholder and public inquiries can be directed.

## **5. SHARE ISSUANCES /FINANCING TRANSACTIONS/MATERIAL TRANSACTIONS**

### **Pricing**

- 5.1 All share issuances (including private placements, shares for debt, and acquisitions) are subject to the same price protection mechanisms and pricing policies as would apply to such transactions on TSX Venture, including the minimum issuance price of \$0.05 for shares and \$0.05 exercise price per share for warrants and incentive stock options. For the purposes of NEX, the Price Reservation Form is Form B.

### **Limitations**

- 5.2 A Listed Company must obtain shareholder approval if:
- a. it proposes to issue more than 100% of its outstanding shares in any 12 month period; and
  - b. a new Control Person is created.

For the purposes of this calculation, agent compensation is excluded, and the numerator is comprised of the proposed securities to be issued, including securities reserved for issuance, and the denominator is comprised of issued and outstanding securities, also including securities reserved for issuance.

- 5.3 A Listed Company may not raise more than \$500,000 in aggregate through the issuance of securities in any 12 month period. Debt settled pursuant to a shares for debt arrangement are not included in this calculation.
- 5.4 Notwithstanding section 5.3, a Listed Company may undertake a one-time financing of up to \$1,000,000 in addition to the yearly \$500,000 allowance, where the proceeds will be used to settle debt with cash, bring the Listed Company's continuous disclosure record up to date and leave the Listed Company with up to \$500,000 in working capital.
- 5.5 A Listed Company may not enter into contracts or arrangements for the provision of Investor Relations Activities.
- 5.6 A Listed Company may not pay finders' fees, commissions or similar compensation to Non Arm's Length Parties.
- 5.7 A Listed Company that was formerly a CPC must continue to comply with the all of the requirements and restrictions in TSX Venture Policy 2.4 - *Capital Pool Companies*.

#### **Related Party Transactions**

- 5.8 Listed Companies undertaking Related Party Transactions (as defined in TSX Venture Policy 5.9 or other transactions contemplated by TSX Venture Policy 5.9, must comply with the provisions of that Policy.

#### **Filing**

- 5.9 Listed Companies undertaking any issuance of securities must submit Form C at least seven business days in advance of the issuance.
- 5.10 Listed Companies must advise NEX of transactions that are material but do not involve the issuance of equity securities. These transactions include material acquisitions, dispositions, option agreements, joint venture agreements, license agreements and loans or any other material contracts and obligations.
- 5.11 Listed Companies undertaking transactions as set out in 5.10 above must submit Form F – *Material Transactions Form* at least seven business days in advance of the closing of such transaction.
- 5.12 Listed Companies must issue and file a news release upon closing of all transactions filed pursuant to section 5 of NEX Policies.

- 5.13 If NEX has any objections to the proposed transactions required to be filed by a Listed Company, it will notify the Listed Company by the end of the third business day following receipt of the Form C or Form F.
- 5.14 Non-disapproval of transactions pursuant to section 5.13 above should not and does not imply that NEX has reviewed the transaction(s) in respect of the Company's continuing eligibility for listing pursuant to section 8.1.

### **NEX Hold Period and Share Legends**

- 5.15 Listed Companies must comply with the hold periods and legending requirements as required by section 5.3 of TSX Venture Policy 3.2 - *Filing Requirements and Continuous Disclosure*.

## **6. WARRANTS**

- 6.1 The exercise price of Warrants must be no less than the greater of the offering price and the Market Price of the securities to which they are attached.
- 6.2 The maximum term for a Warrant is 12 months from the date of issue.
- 6.3 The number of shares issued pursuant to the exercise of Warrants cannot exceed the number of issued securities to which they are attached.
- 6.4 Where properly authorized by the board of directors of a Listed Company, the Listed Company may alter the terms of a class of Warrants provided that none of the Warrants of that class have been exercised or traded.

## **7. INCENTIVE STOCK OPTIONS**

- 7.1 Listed Companies must maintain compliance with TSX Venture policies regarding the pricing and terms of incentive stock options, however, the adoption of a stock option plan is not required for Listed Companies. The maximum number of options that may be reserved for issuance or issued in any 12 month period is limited to 10% of the issued and outstanding securities of the Company. If upon listing, the Listed Company had a stock option plan that reserved options in excess of this 10% limit, the grant and exercise of such options will be limited to 10% in any 12 month period, and no additional reservations or issuance of stock options may be made in excess of the required limits.



- 7.2 Listed Companies undertaking option transactions (including grant and amendment of options) must submit Form D - *Notice of Stock Option Grant or Amendment* immediately on undertaking the transaction.
- 7.3 If NEX has any objections to the proposed option transaction, it will notify the Listed Company within three business days following receipt of the Form D.

## **8. SIGNIFICANT TRANSACTIONS**

- 8.1 Any Listed Company which undertakes a Change of Business or Reverse Takeover as defined in the TSX Venture policies or undertakes:
- a. a transaction or transactions that exceed of the limits in section 5.2 above; or
  - b. a transaction or combination of transactions that result in the Listed Company satisfying TSX Venture Tier 2 Minimum Listing Requirements on a sustainable basis,

will no longer be eligible for listing on NEX and must graduate to TSX Venture or be delisted upon closing of that transaction.

- 8.2 NEX has discretion in determining whether a transaction meets the definition of Change of Business or Reverse Takeover and otherwise applying the provisions in section 8.1(a) for the purposes of this policy.
- 8.3 A Listed Company that announces a Change of Business or Reverse Takeover will be subject to the TSX Venture policies governing those transactions including those relating to trading halts, except that upon resumption of trading after the initial halt, the Company will continue trading on NEX until the date of the closing of the transaction. Where the transaction fails to close, the Listed Company may remain eligible for listing on NEX. See TSX Venture Policy 5.2 - *Changes of Business and Reverse Takeovers*.

## **9. SIGNIFICANT CONNECTION TO ONTARIO**

- 9.1 Listed Companies must comply with the policies relating to the Assessment of a Significant Connection to Ontario, in section 18 of TSX Venture Policy 3.1 - *Directors, Officers and Corporate Governance*.

## **10. NAME CHANGES, SHARE CONSOLIDATIONS AND SPLITS**

- 10.1 Listed Companies must comply with TSX Venture Policy 5.8 - *Name Change, Share Consolidations and Splits*, provided that NEX Form G - *Notice of Name Change, and/or Consolidation/Split* must be used rather than TSX Venture Form 5I.

## **11. TRADING HALTS AND SUSPENSIONS**

- 11.1 Sections 1 and 2, and the applicable portions of section 3 of TSX Venture Policy 2.9 - *Trading Halts, Suspensions and Delistings* apply to Companies listed on NEX.

## **12. DELISTING**

- 12.1 NEX may in its discretion, delist the securities of any Listed Company:
- a. if the Listed Company fails to comply with:
    - (i) the policies of NEX;
    - (ii) applicable Securities Laws;
    - (iii) any other laws, rules or policies of any applicable regulatory authority,
  - b. if the capital structure, public float, or distribution of the Listed Company is not acceptable to NEX;
  - c. if the Listed Company becomes ineligible for listing based on the policies of NEX; or
  - d. if NEX otherwise determines it is in the best interests of NEX to do so.
- 12.2 Companies delisting from NEX must comply with the procedures in TSX Venture Policy 2.9 - *Trading Halts, Suspensions and Delisting*.

## **13. TRANSFER AGENT, REGISTRAR AND SECURITY CERTIFICATES**

- 13.1 Listed Companies must comply with sections 3 and 4 of TSX Venture Policy 3.1 - *Directors, Officers and Corporate Governance*.

## **14. TRADING**

- 14.1 Firms with trading privileges in good standing on TSX Venture or Toronto Stock Exchange are entitled to trade on NEX.
- 14.2 The trading rules applicable to NEX are the same as the trading rules applicable to TSX Venture.
- 14.3 NEX has the same trading hours as TSX Venture.

## **15. FEES**

- 15.1 Companies on NEX for any part of a quarter must pay a quarterly Listing Maintenance Fee of \$1,250, payable on the first business day of each quarter. For Companies transferring to NEX during the quarter, the due date of the fee will be indicated on their invoice. The Listing Maintenance Fee is non-refundable for Companies graduating to TSX Venture or delisting.
- 15.2 Failure to pay fees within 30 days after payment is due will result in the securities of these Companies being halted and/or suspended from trading without notice followed by delisting from NEX.
- 15.3 Companies whose securities have been halted or suspended from trading must pay the fees owing, plus a processing fee in order to have their securities brought back to trade. The processing fee is \$250 for Companies whose securities have been halted for failure to pay fees, and \$500, if they have been suspended. The fee for suspended issuers includes the required reinstatement review.
- 15.4 If Listing Maintenance Fees are outstanding at the end of the first month in a quarter in which those fees are due, then in respect of that month and each month thereafter, the Listed Company will be subject to an additional monthly Listing Maintenance Fee of 5% of the quarterly Listing Maintenance Fee.
- 15.5 Any out-of-pocket costs to be incurred by NEX on behalf of a Company will be payable upon request.
- 15.6 NEX reserves the right to charge additional fees in circumstances where an inordinate amount of time is required to process or review Companies' activities.

## **FORMS**

- Form A** - **Listing Notification**
- Form B** - **Price Reservation Form**
- Form C** - **Notice of Proposed Share Issuance and Financing**
- Form D** - **Notice of Stock Option Grant or Amendment**
- Form E** - **Notice of Change in Management**
- Form F** - **Notice of Material Transactions**
- Form G** - **Notice of Name Change, and/or Consolidation / Split**

## **APPENDIX**

- Appendix 1**            **Acknowledgement – Personal Information**