

BULLETIN TYPE: Notice to Issuers

BULLETIN DATE: August 14, 2013

Re: Policy Amendments

(a) Amendment of Minimum Pricing Rules for Convertible Securities

(b) Amendment of Minimum Pricing Rules for Initial Public Offerings

(c) Amendment of Shareholder Approval Requirement for Share Consolidations

Implementation of Policy Amendments:

Further to the TSX Venture Exchange (“**TSXV**” or the “**Exchange**”) Bulletin/Notice to Issuers dated August 7, 2013, effective immediately, the Exchange is formally implementing policy amendments that will have the effect of liberalizing certain requirements and restrictions pertaining to minimum pricing rules and capital structure matters. The primary purpose of these amendments is to promote and facilitate both access to capital and the completion of listing transactions.

The specific policy amendments, which are described below, have the following principal effects:

1. **Minimum Price for Warrants and Options:** A reduction of the minimum acceptable exercise price for share purchase warrants and incentive stock options from \$0.10 to \$0.05 per share which will apply to the full term of the warrant or option.
2. **Minimum Price for Convertible Debentures:** A reduction in the minimum acceptable conversion price for debentures from \$0.10 to \$0.05 per share for the first year of the term of the debenture.
3. **Minimum Price for Initial Public Offerings:** A reduction in the minimum acceptable offering price for a non-Capital Pool Company initial public offering from \$0.15 to \$0.10 per security.
4. **Shareholder Approval for Share Consolidations:** A modification to the Exchange’s shareholder approval requirement for share consolidations. The Exchange will only require shareholder approval for a consolidation if such consolidation, when combined with any other consolidation conducted by the Issuer within the previous 24 months that was not approved by the Issuer’s shareholders, would result in a cumulative consolidation of greater than 10 to 1 over such 24 month period. It should be noted that an Issuer may still be subject to shareholder approval requirements under applicable corporate laws.

The foregoing will apply to all Issuers listed on the Exchange, including those listed on NEX. It should be noted, however, that Capital Pool Companies, including those listed on NEX, remain subject to the specific provisions of Policy 2.4 – *Capital Pool Companies*, which includes restrictions on the issuance of warrants and debentures prior to the completion of their Qualifying Transaction.

Description of Specific Policy Amendments:

The foregoing matters have been given effect by the following amendments to the Exchange’s Corporate Finance Manual. It should be noted that notwithstanding the broad scope of the effect of the amendments, in particular as pertaining to the minimum pricing rules, the actual amendments themselves are relatively small in terms of their volume.

1. **Policy 1.1 – Interpretation:** The definitions of “Discounted Market Price” and “Market Price” have been amended to remove the references to a \$0.10 minimum acceptable exercise or conversion price, as the case may be, being required for share purchase warrants, incentive stock options and other securities convertible into common shares. This results in the minimum acceptable exercise or conversion price for such securities under the definition of both “Discounted Market Price” and “Market Price” to be \$0.05. These amendments effectively carry through to the various minimum acceptable pricing requirements set forth in other Policies which

tie the minimum acceptable price for share purchase warrants, incentive stock options and other securities convertible into common shares to either the Discounted Market Price or Market Price, as the case may be.

2. **Policy 2.1 – Initial Listing Requirements:** Section 3 of Policy 2.1 has been amended to specify that the minimum acceptable initial public offering price is now \$0.10 per security.
3. **Policy 4.1 – Private Placements:**
 - (a) The definition of “Convertible Securities” in section 1.2 of Policy 4.1 has been amended to specifically exclude share purchase warrants and stock options for the purposes of Policy 4.1.
 - (b) Section 3.3(a) of Policy 4.1 has been amended to require that the minimum acceptable conversion price of Convertible Securities after the first year of their term is the greater of the Market Price and \$0.10.
 - (c) Section 3.4(e) of Policy 4.1 has been amended to clarify that for any warrants issued in connection with a Convertible Security, the exercise price of the warrant must not be less than the initial conversion price of the Convertible Security (i.e. the warrant exercise price is not required to be adjusted if the conversion price of the Convertible Security changes during its term). For example, for a Convertible Security issued with an initial conversion price of \$0.05 which increases to \$0.10 after the first year of the term of the security, any warrant issued in connection with such Convertible Security can have an exercise price of \$0.05 for the full term of the warrant.

It should be noted that section 3.4(c) of Policy 4.1 has been amended to correct an existing drafting error. This amendment is not directly related to the principal policy amendments described in this Bulletin.

4. **Policy 4.6 – Public Offering by Short Form Offering Document:** Section 6.2 of Policy 4.6 has been amended to require that the minimum acceptable exercise price for warrants issued under a Short Form Offering Document offering is now the greater of the offering price of the offering and the closing price of the Issuer’s shares on the trading day before the announcement of the offering.
5. **Policy 5.8 – Issuer Names, Issuer Name Changes, Share Consolidations and Splits:** Section 7.1 of Policy 5.8 has been amended to change the circumstances (as described above in this Bulletin) in which the Exchange will require shareholder approval for a share consolidation.
6. **NEX Policy:**
 - (a) Section 5.1 of the NEX Policy has been amended to change the minimum acceptable exercise price for warrants and incentive stock options from \$0.10 to \$0.05.
 - (b) Section 6.1 of the NEX Policy has been amended to remove the reference to a \$0.10 minimum exercise price for warrants.

In addition to the above, it should be noted that an incidental amendment has been made to section 3.2(e) of Policy 5.1 – *Loans, Bonuses, Finder’s Fees and Commissions* which permits the exercise price of agent’s or finder’s warrants on a financing to be equivalent to the offering price of the financing, even if such offering price is below the Market Price. This is reflective of existing Exchange practice and the amendment allows the written Policy to reflect such practice.

It should be noted that the foregoing is a summary only. The full text of the various policy amendments should be reviewed to properly ascertain the details and effects of the amendments. The full text of the amended Policies is available on the TMX Group Inc.'s website at the following page:

http://www.tmx.com/en/listings/venture_issuer_resources/finance_manual.html

Transitional Provisions:

All of the policy amendments described in this Bulletin are effective immediately. The following transitional provisions are applicable.

1. **Warrants Under In-Progress Financings or Transactions:** For any in-progress financing or transaction filed with the Exchange involving the issuance of warrants that has not closed (in whole or in part), the Issuer may reduce the applicable exercise price for the warrants to benefit from the lower minimum acceptable pricing rules provided that the revised pricing would have been acceptable at the time of the original announcement of the financing or transaction had the policy amendments been in effect as of such date. The Issuer will be required to issue a news release announcing any such amendment to the terms of the financing or transaction.
2. **Convertible Securities Under In-Progress Financings:** For any in-progress financing filed with the Exchange involving the issuance of Convertible Securities (as defined in Policy 4.1) that has not closed (in whole or in part), the Issuer may reduce the applicable conversion price for the offered securities to benefit from the lower minimum acceptable pricing rules provided that the revised pricing would have been acceptable at the time of the original announcement of the financing had the policy amendments been in effect as of such date. The Issuer will be required to issue a news release announcing any such amendment to the terms of the financing.
3. **In-Progress Initial Public Offerings:** For any in-progress initial public offering filed with the Exchange that has not closed (in whole or in part), the Issuer may reduce the offering price to as low as \$0.10 per security.
4. **In-Progress Share Consolidations:** For any in-progress share consolidation filed with the Exchange for which the Issuer is not required to obtain shareholder approval pursuant to applicable corporate laws, the Exchange will only require evidence of shareholder approval for such share consolidation if such consolidation is on a greater than 10 to 1 basis.
5. **Option Repricings:** Issuers may apply to have existing incentive stock options repriced to benefit from the lower minimum acceptable pricing rules. Any such application must be completed in accordance with sections 5.1(b) and 5.2 of Policy 4.4 – *Incentive Stock Options*. The Exchange will, however, provide partial relief from the requirements of section 5.1(b) in respect of any application to reprice options granted between January 1, 2013 and the date of this Bulletin to an exercise price below \$0.10. Specifically, the Exchange will not apply either the six-month waiting period requirement prescribed by section 5.1(b)(ii) or the disinterested shareholder approval requirement prescribed by section 5.1(b)(ii) in respect of any application to amend the exercise price of an incentive stock option to a price below \$0.10 provided that the following conditions are satisfied:
 - (a) the option was granted between January 1, 2013 and the date of this Bulletin;
 - (b) the proposed revised price is not less than the Discounted Market Price (using the new definition for such term) at the time of grant of the option;
 - (c) the proposed revised price is not less than the Discounted Market Price at the time of the application for acceptance of the option repricing; and

(d) the application for acceptance of the option repricing is received by the Exchange on or before January 31, 2014.

6. **Warrant Amendments:** Issuers may apply to have existing share purchase warrants repriced to benefit from the lower minimum acceptable pricing rules. Any such application must be completed in accordance with Part 4 of Policy 4.1. It should be noted though that, in accordance with existing Exchange practice, the Exchange only allows unlisted warrants issued pursuant to a financing transaction (excluding agent's or finder's warrants) to be amended. This includes warrants issued pursuant to a private placement, prospectus offering or short form offering document. Warrants issued pursuant to other types of transactions (including property acquisitions, shares for debt transactions, loan bonuses, finder's fees, etc.) may not be amended.

If you have any questions about this bulletin, please contact:

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