

### 13.1.3 Canadian Trading and Quotation System Inc. Policies

#### POLICY 1

##### INTERPRETATION AND GENERAL PROVISIONS

#### 1. CNQ Philosophy

- 1.1 CNQ believes that the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices are: (a) high quality, timely and continuous disclosure by issuers, (b) trading rules designed to ensure integrity and a fair and orderly market, and (c) comprehensive and independent market regulation to administer and enforce the trading rules and timely and continuous disclosure requirements.
- 1.2 CNQ believes recent advances in technology such as SEDAR and the Internet which facilitate instant, widespread and economical dissemination of information permit CNQ to require and CNQ Issuers to provide an enhanced standard of disclosure to secondary market investors, irrespective of an Issuer's size.
- 1.3 Fundamental to CNQ is the establishment by CNQ Issuers of a comprehensive, publicly-available disclosure base, providing enhanced quality and timeliness of information. CNQ's Issuer disclosure obligations aim to ensure that investors may trade informed by current full, true and plain disclosure concerning CNQ Issuers.
- 1.4 CNQ's Issuer disclosure commences with the Quotation Statement, an Issuer prepared document intended to provide prospectus level disclosure. The Quotation Statement is accompanied by the Quotation Summary which provides a high-level summary of the Quotation Statement. The Quotation Statement must be supplemented and updated quarterly, monthly and upon the occurrence of significant events affecting the Issuer. A CNQ Issuer must prepare, certify and post a Quarterly Quotation Statement including quarterly financial statements, management's discussion and analysis and updating any changes to the Quotation Statement and a Monthly Progress Report, reporting activity (or lack of activity) by the Issuer in the preceding calendar month accompanied by a Certificate of Compliance, certifying that the Issuer is in compliance with Ontario securities law. CNQ Issuers must also prepare and post Notices of any distribution of securities, transactions or developments or proposed distributions, transactions or developments. CNQ Issuer disclosure obligations are in addition to or supplementary to the continuous disclosure obligations under Ontario securities law. Notices

of proposed distributions and transactions must be updated every two weeks, either indicating completion or ongoing status. Issuers failing to provide updates will have an indication of non-compliance attached to their stock symbol in the CNQ Marketplace and be subject to suspension if not remedied within a further two weeks.

#### 2. CNQ Discretion

- 2.1 The Policies of CNQ have been put in place to serve as guidelines to Issuers, Issuers applying for qualification for quotation of securities, and their professional advisers. However, CNQ reserves the right to exercise its discretion in applying the policies in all respects. CNQ can waive or modify an existing requirement or impose additional requirements. Any such waiver, modification or imposition of additional requirements may be general or particular in its application, as determined by CNQ. In exercising its discretion, CNQ will take into consideration facts or situations unique to a particular party. Quotation of securities on CNQ is a privilege, not a right, and CNQ may grant or deny an application, including an application for the qualification for quotation, notwithstanding the published Policies of CNQ.

#### 3. Definitions

- 3.1 Unless otherwise defined or interpreted or the subject matter or context otherwise requires, every term used in these Policies that is:
- (a) defined or interpreted in section 1 of the *Securities Act* has the meaning ascribed to it in that section;
  - (b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection;
  - (c) defined in subsection 1.1(3) of National Instrument 14-101 has the meaning ascribed to it in that subsection;
  - (d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that section;
  - (e) defined or interpreted in Part 1 of National Instrument 21-101 has the meaning ascribed to it in that subsection;
  - (f) defined in subsection 1.1 of National Instrument 44-101 has the meaning ascribed to it in that subsection;
  - (g) defined in section 1.1 of UMIR has the meaning ascribed to it in that section; and

(h) a reference to a requirement of CNQ shall have the meaning ascribed to it in the applicable by-law, Rule or Policy of CNQ.

3.2 In all Policies, unless the subject matter or context otherwise requires:

“**affiliated entity**” has the meaning ascribed to it in Ontario Securities Commission Rule 45-501.

“**Board Lot**” means a standard trading unit.

“**Business Day**” means any day from Monday to Friday inclusive, excluding statutory holidays.

“**by-laws**” means any by-law of CNQ as amended and supplemented from time to time.

“**CNQ**” means Canadian Trading and Quotation System Inc.

“**CNQ Board**” means the Board of Directors of CNQ and includes any committee of CNQ’s Board of Directors to which powers have been delegated in accordance with the by-laws, Policies or Rules.

“**CNQ Bulletin**” means an electronic communication from CNQ to CNQ Dealers;

“**CNQ Dealer**” means a Participant which has applied to CNQ for, and has been permitted by CNQ, access to the CNQ system, provided such access has not been terminated or suspended.

“**CNQ Issuer**” means an Issuer which has its securities qualified for quotation on the CNQ System or which has applied to have its securities qualified for quotation on the CNQ System.

“**CNQ Requirements**” means collectively:

- (a) the Rules;
- (b) these Policies;
- (c) UMIR; and
- (d) any Decision,

as amended, supplemented and in effect from time to time.

“**CNQ System**” means the electronic system operated by CNQ for trading and quoting securities.

“**CNQ Trading and Access Systems**” includes all facilities and services provided by CNQ to facilitate quotation and trading, including, but not limited to: the CNQ System, data entry services; any other computer-based quotation and trading systems and programs, communications facilities

between a system operated or maintained by CNQ and a trading or order routing system operated or maintained by a CNQ Dealer, another market or other person approved by CNQ, a communications network linking authorized persons to quotation dissemination, trade reporting and order execution systems and the content entered, displayed and processed by the foregoing, including price quotations and other market information provided by or through CNQ.

“**Clearing Corporation**” means The Canadian Depository for Securities Limited or such other person as recognized by the Commission as a clearing agency for the purposes of the *Securities Act* and which has been designated by CNQ as an acceptable clearing agency.

“**Certificate of Compliance**” means the certificate of compliance which each CNQ Issuer must complete and post in Form 6.

“**control block holder**” means any person or combination of persons holding a sufficient number of any securities of a CNQ Issuer or CNQ Dealer to affect materially the control of that CNQ Issuer or CNQ Dealer, but any holding of any person or combination of persons holding more than 20% of the outstanding voting securities of a CNQ Issuer or CNQ Dealer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of that CNQ Issuer or CNQ Dealer.

“**Decision**” means any decision, direction, order, ruling or other determination of CNQ, including any committee of CNQ, or the Market Regulator made in the administration or application of these Policies or any Rule.

“**disqualify**”, “**disqualification**” and “**disqualified**” where used in relation to the quotation of an Issuer’s securities means termination of the qualification of an Issuer for quotation of its securities on the CNQ System.

“**freely tradeable**” in respect of securities means securities that have no restriction on resale or transfer, including restrictions imposed by pooling or other arrangements or in a shareholder agreement.

“**Handbook**” means the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

“**Investor Relations Activities**” means any activities or oral or written communications, by or on behalf of a CNQ Issuer or shareholder of a CNQ Issuer, that promote or reasonably could be expected to promote the purchase, or sale of securities of the CNQ Issuer, but does not include:

(a) the dissemination of information provided, or records prepared, in the ordinary course of business of the CNQ Issuer

(i) to promote the sale of its products or services, or

(ii) to raise public awareness of the CNQ Issuer,

that cannot reasonably be considered to promote the purchase, or sale of securities of the CNQ Issuer;

(b) activities or communications necessary to comply with

(i) applicable securities legislation or

(ii) CNQ Requirements or the requirements of any other regulatory body having jurisdiction over the CNQ Issuer;

(c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication that is of general and regular circulation if

(i) the communication is only through the newspaper, magazine or publication, and

(ii) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(d) such other activities or communications that may be specified by CNQ.

**“Market Regulator”** means Market Regulation Services Inc. or such other person as recognized by the Commission as a regulation services provider for the purposes of the *Securities Act* and which has been designated by CNQ as an acceptable regulation services provider.

**“material information”** means a material fact, a material change and any other information that might influence or change an investment decision

of either a reasonable conservative or speculative investor.

**“Monthly Progress Report”** means Form 7.

**“MR Policy”** means a Policy as defined in UMIR, being a policy statement adopted by the Market Regulator in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

**“outside director”** means a director who is not an officer or employee of an Issuer or any of its affiliates.

**“Personal Information Form”** or **“PIF”** means Form 3.

**“Policy”** means any policy statement and any direction or decision adopted by the CNQ Board or any committee of the CNQ Board in connection with the administration or application of these Policies, as such policy statement, direction or decision is amended, supplemented and in effect from time to time.

**“post”** means submitting a document in prescribed electronic format to the CNQ.ca website and, in the case of a requirement to post a share certificate, means filing a definitive specimen with CNQ and posting an electronic version of the certificate on the CNQ.ca website in PDF format.

**“Quotation Agreement”** means Form 4.

**“Quarterly Quotation Update”** means Form 5.

**“Quotation Statement”** means Form 2A together with all required supporting documents.

**“Quotation Summary”** means Form 2B.

**“Record Date”** means the date fixed as the record date for the purpose of determining shareholders of a CNQ Issuer eligible for a distribution or other entitlement.

**“Regulation”** means Ontario Regulation 1015 - General Regulation made under the *Securities Act*, as amended from time to time.

**“Related Entity”** means, in respect of a CNQ Issuer

(a) a person

(i) that is an affiliated entity of the CNQ Issuer;

<p>(ii) of which the CNQ Issuer is a control block holder;</p> <p>(b) a management company or distribution company of a mutual fund that is a CNQ Issuer; or</p> <p>(c) a management company or other company that operates a trust or partnership that is a CNQ Issuer.</p> <p><b>“Related Person”</b> means, in respect of a CNQ Issuer</p> <p>(a) a Related Entity of the CNQ Issuer;</p> <p>(b) general partners, directors and officers of the CNQ Issuer or Related Entity;</p> <p>(c) a promoter of or person who performs Investor Relations Activities for the CNQ Issuer or Related Entity;</p> <p>(d) any person that owns or exercises voting control over at least 10% of the total voting rights attached to all voting securities of the CNQ Issuer or Related Entity; and</p> <p>(e) such other person as may be designated from time to time by CNQ.</p> <p><b>“Securities Act”</b> means the <i>Securities Act</i>, R.S.O. 1990, c.S.5 as amended from time to time.</p> <p><b>“SEDAR”</b> means the System for Electronic Document Analysis and Retrieval.</p> <p><b>“Statutory Holiday”</b> means such day or days as may be designated by the CNQ Board or established by law applicable in Ontario.</p> <p><b>“stock option”</b> means an option to purchase shares from treasury granted to an employee, director, officer, consultant or service provider of a CNQ Issuer.</p> <p><b>“Trading Day”</b> means a business day during which trades are executed on the CNQ System.</p> <p><b>“UMIR”</b> means the Universal Market Integrity Rules adopted by the Market Regulator as amended from time to time.</p> <p><b>“unrelated director”</b> means an outside director who has no relationship with the Issuer, in any</p>	<p>capacity (e.g. as lawyer, accountant, banker, supplier or customer), save as a shareholder of the Issuer who is not a control block holder.</p> <p>3.3 <i>Interpretation.</i> In these Policies and accompanying forms,</p> <p><b>“person”</b> includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust.</p> <p><b>4. Rules of Construction</b></p> <p>4.1 The division of CNQ Requirements into separate Rules, Policies, divisions, sections, subsections and clauses, the provision of a table of contents and index thereto, and the insertion of headings, indented notes and footnotes are for convenience of reference only and shall not affect the construction or interpretation of CNQ Requirements.</p> <p>4.2 The use of the words “hereof”, “herein”, “hereby”, “hereunder” and similar expressions indicated the whole of the Policies and not only the particular Policy in which the expression is used, unless the context clearly indicates otherwise.</p> <p>4.3 The word “or” is not exclusive and the word “including”, when following any general statement or term, does not limit that general statement or term to the specific matter set forth immediately after the statement or term, whether or not non-limited language (such as “without limitation” or “but not limited to” or similar words) is used.</p> <p>4.4 Any reference to a statute, unless otherwise specified, is a reference to that statute and the regulations made pursuant to that statute, with all amendments made and in force from time to time, and to any statute or regulation that may be passed which supplements or supersedes that statute or regulation.</p> <p>4.5 Unless otherwise specified, any reference to a policy, rule, blanket order or instrument includes all amendments made and in force from time to time and any policy, rule, blanket order or instrument which supplements or supersedes that policy, rule, blanket order or instrument.</p> <p>4.6 Grammatical variations of any defined term shall have similar meanings; words imputing the masculine gender include the feminine or neuter gender and words in the singular include the plural and vice versa.</p> <p>4.7 All times mentioned in CNQ Requirements shall be local time in Toronto on the day concerned, unless the subject matter or context otherwise requires.</p>
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4.8 Any reference to currency refers to lawful money of Canada (unless expressed to be in some other currency).

4.9 Failure by CNQ to exercise any of its rights, powers or remedies under the CNQ Requirements or its delay to do so will not constitute a waiver of those rights, powers or remedies. The single or partial exercise of a right, power or remedy will not prevent its subsequent exercise or the exercise of any other right, power or remedy. CNQ will not be deemed to have waived the exercise of any right, power or remedy unless such waiver is made in writing and delivered to the person to which such waiver applies or is published, if such waiver applies generally. Any waiver may be general or particular in its application, as determined by CNQ.

**5. Appeals of Decisions**

5.1 A CNQ Issuer or any person directly affected by a Decision under these Policies, other than a Decision of the Market Regulator, may appeal such Decision to the CNQ Board.

5.2 At the request of either the appellant or CNQ management, the matter may first be considered by the Quotation Advisory Committee for an advisory opinion, but the Committee shall not have the power to make a final determination of the matter.

5.3 A Decision of the CNQ Board may be appealed to the Ontario Securities Commission pursuant to the provisions of the *Securities Act*.

5.4 A Decision of the Market Regulator may be appealed pursuant to the provisions of UMIR.

**POLICY 2**

**QUALIFICATION FOR QUOTATION**

**1. Eligibility for Quotation**

1.1 Only Issuers which are reporting issuers under the *Securities Act* not in default of any requirement thereof are eligible for quotation.

1.2 Each Issuer wishing to qualify for quotation of its securities must:

- (a) prepare and file with CNQ the Quotation Statement and prescribed documentation;
- (b) enter into a CNQ Issuer Agreement;
- (c) have high speed access to the Internet and post on the CNQ.ca website the Quotation Statement and prescribed documentation; and
- (d) pay to CNQ the non-refundable quotation application fee prescribed by Policy 10-Schedule of Fees, plus applicable taxes.

1.3 Each CNQ Issuer must have a public float of freely-tradeable shares worth at least \$50,000 and consisting of at least 150 public holders holding at least a board lot each of the security. The public float must constitute at least 10% of the total issued and outstanding of that security, provided that a CNQ Issuer may have a public float that constitutes at least 5% of the total issued and outstanding if it has at least 200 public holders of at least a board lot each of the security. For the purposes of this Policy, a "public holder" is any shareholder other than a Related Person, an employee or a Related Person of a CNQ Issuer or any person or group of persons acting jointly or in concert holding

- (a) more than 5% of the issued and outstanding; or
- (b) securities convertible or exchangeable into the quoted security and would, on conversion or exchange, hold more than 5% of the issued and outstanding.

1.4 CNQ shall designate as a "thin float issuer" any CNQ Issuer that has less than 10% of the total issued and outstanding held by the public holders as freely tradeable shares. CNQ will also apply this designation to companies that have a smaller public float as a percentage of the issued and outstanding than would be determined by the following formula:

Target % freely tradeable shares = 35 — (0.05 x actual number of public holders of at least a board lot)

An identifying marker will be added to the Issuer's stock symbol and disclosure on the CNQ.ca website. Thin float issuers must include disclosure identifying themselves as thin float issuers in all disclosure documentation.

1.5 Notwithstanding compliance with the foregoing, CNQ may in its discretion designate any CNQ Issuer as a "thin float" issuer whose shareholder distribution profile indicates a susceptibility to market volatility.

1.6 Operating companies in any industry must have achieved revenue from the sale of goods or the delivery of services to customers and these revenues must appear on its audited financial statements, or on an interim statement supported by a comfort letter from the company's auditor. These companies, if not yet profitable, must have liquid assets or a business plan that demonstrates a reasonable likelihood that the company can sustain its operations and achieve its objectives.

1.7 Non-operating companies in any industry must have a reasonable plan to develop an active business and the financial resources to carry out that plan. Companies at an early stage of development must be able to achieve limited objectives that will advance their development to a stage where additional financing is typically available to the companies in their industry. In particular, the following criteria apply:

(a) Mineral resource companies must have title to a property that is prospective for minerals and on which there has been exploration previously conducted. It must have obtained an independent report that meets the requirements of National Instrument 43-101 and that recommends further exploration on the property. If the company does not have title to the property, it must have the means and ability to earn a significant interest in the property upon completion of a fully-financed exploration program that will be completed within a reasonable time.

(b) Energy resource companies must have title to a property on which measurable quantities of conventional energy resources have been identified or the means and ability to earn a significant interest in the property upon completion of a fully-financed exploration program. The company must also submit a qualifying report on the property in accordance with National Policy 2B or any successor instrument.

(c) Investment companies must have an appropriate balance between income and activity depending on the nature of their investments. Holding companies that are not active in the management of investee companies should own majority interests or have effective control in businesses that can generate returns that will flow to the shareholders of the issuer through distributions, or have prospects for growth through the reinvestment of earnings. Merchant banking or venture capital companies must have minimum net tangible assets of \$1 million and a track record of acquiring and divesting interests in arm's-length enterprises in a manner that can be characterized as conducting an active business.

1.8 An Issuer must have (i) cash generating capacity; (ii) a recent history as a listed company and a minimum working capital of \$50,000; or (iii) a minimum working capital of \$100,000. A company has a "recent history as a listed company" if it has been listed on an Canadian stock exchange within the previous 6 months and has not violated any of that exchange's requirements (other than minimum financial or shareholder distribution requirements for maintaining a listing) or applicable securities legislation.

1.9 CNQ will not approve an Issuer for quotation if any Related Persons, or investor relations persons associated with the Issuer have been convicted of fraud, breach of fiduciary duty, violations of securities legislation (other than a minor breach that does not necessarily give rise to investor protection or market integrity concerns) or any other activity that concerns integrity of conduct unless the Issuer severs relations with such person to CNQ's satisfaction.

1.10 CNQ may not approve an Issuer for quotation if any Related Persons, or investor relations persons associated with the Issuer

(a) have entered into a settlement agreement with a securities regulator or other authority;

(b) are known to be associated with other offenders depending on the nature and extent of the relationship and the seriousness of the offence committed; or

(c) have a consistent record of business failures, particularly failures involving public companies,

unless the Issuer severs relations with such person to CNQ's satisfaction.

1.11 CNQ may deem any person to be unacceptable to be associated in any manner with a CNQ Issuer if CNQ reasonably believes such association will give rise to investor protection concerns or could bring the CNQ marketplace into disrepute.

## **2. Required Documentation**

In connection with an initial application for quotation, an Issuer must file with CNQ the documents described below.

### **2.1 Application**

The application for quotation must include the following:

- (a) a letter applying to qualify for quotation (Form 1A) requesting qualification for quotation of one or more specific classes of equity securities of the Issuer and indicating the number and class of the Issuer's securities issued and outstanding and, if convertible or exchangeable securities are issued and outstanding, the number and type of securities reserved for issuance;
- (b) a completed Quotation Application (Form 1B) together with the supporting documentation set out in Appendix A to the Quotation Statement;
- (c) a draft Quotation Statement (Form 2A) (including financial statements);
- (d) draft Quotation Summary (Form 2B);
- (e) a duly executed Personal Information Form (Form 3) from each Related Person of the Issuer; if any of these persons is not an individual, a PIF from each director, senior officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual;
- (f) current insider reports from each person required to file a PIF, as filed with the Commission; and
- (g) the application fee prescribed by Policy 10 - Schedule of Fees.

### **2.2 Comments, Responses and Additional Documentation**

The Issuer must respond to any questions or comments, written or oral, from CNQ, and submit any additional documents or agreements requested by CNQ.

### **2.3 Final Documentation**

CNQ must receive the following documents prior to qualification for quotation:

- (a) two originally executed copies of the Quotation Statement (Form 1B) dated within three business days of the date they are submitted to CNQ together with any additions or amendments to the supporting documentation previously provided as required by Appendix A to the Quotation Application;
- (b) originally executed copies of the Quotation Summary (Form 2) dated within three business days of the date they are submitted to CNQ;
- (c) two duly executed Quotation Agreements (Form 4);
- (d) three choices for a stock symbol;
- (e) an opinion of counsel that the Issuer:
  - (i) is in good standing under and not in default of applicable corporate law;
  - (ii) is a reporting issuer under the *Securities Act* and is not in default of any requirement of Ontario securities law or the securities legislation of each jurisdiction in which it is a reporting issuer or equivalent;
  - (iii) has the corporate power and capacity to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Quotation Agreement and to perform its obligations thereunder; and
  - (iv) has taken all necessary corporate action to authorize the execution, delivery and performance of the Quotation Agreement and that the Quotation Agreement has been duly executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms;
- (f) an opinion of counsel that all shares previously issued of the class of securities to be quoted or that may be

- issued upon conversion, exercise or exchange of other previously-issued securities are or will be duly issued and are or will be outstanding as fully paid and non-assessable shares;
- (g) a certificate of the applicable government authority that the Issuer is in good standing under and not in default of applicable corporate law;
- (h) a certificate of the Commission that the Issuer is a reporting issuer and not on the list of defaulting reporting issuers maintained by the Commission pursuant to the *Securities Act*.

- (ii) the Quotation Summary;
- (iii) the Quotation Agreement;
- (iv) the opinion of counsel described in Policy 2 - 2.3(e);
- (v) the certificate of good standing described in Policy 2 – 2.3(f);
- (vi) the reporting issuer certificate described in Policy 2 - 2.3(g);
- (vii) an executed Certificate of Compliance (Form 6); and
- (viii) all documents comprising the Issuer's SEDAR record, and an index of such filings, for the previous two calendar years.

**2.4 Posting Officer**

- (a) A CNQ Issuer may not post any documents required under the CNQ Requirements except through its designated posting officer who has been designated, trained and approved as follows:
  - (i) The Issuer must designate at least one individual to act as the Issuer's posting officer and at least one backup. The posting officers will be responsible for executing, on behalf of the Issuer, all of the postings required of the Issuer under the CNQ Requirements.
  - (ii) The Issuer's designated postings officers must be trained by CNQ or a party selected by CNQ to execute postings on CNQ's Internet website.
  - (iii) The Issuer's designated posting officers will not be permitted to execute any postings until CNQ is satisfied that the designated posting officers are capable of executing postings.
- (b) A CNQ Issuer may post documents through the facilities of a third party CNQ approved posting service provider.

**2.5 CNQ Postings**

- (a) **Access** – The Issuer must have high speed access to the Internet.
- (b) **Postings** – The Issuer must post on the CNQ.ca website the following:
  - (i) the Quotation Statement;

**3. Continuing to Qualify for Quotation**

- 3.1 To continue to qualify for quotation on the CNQ System, a CNQ Issuer must meet all of the following requirements:
  - (a) the CNQ Issuer must be in good standing under and not in default of applicable corporate law;
  - (b) the CNQ Issuer must be a reporting issuer under the Securities Act not on the list of defaulting issuers maintained by the Commission pursuant to the Securities Act and not in default of the securities legislation of any jurisdiction in which it is a reporting issuer or equivalent;
  - (c) the CNQ Issuer must be in compliance with the CNQ Requirements;
  - (d) the CNQ Issuer must post all required documents and information required under the Policies of CNQ, including without limitation, the requirement to post a monthly Certificate of Compliance (Form 6);
  - (e) the CNQ Issuer must concurrently post all public documents submitted to SEDAR; and
  - (f) The CNQ Issuer must submit a Personal Information Form for any new Related Person of the Issuer (if any of these persons is not an individual, a PIF from each director, officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual).

**4. Procedure**

4.1 CNQ will automatically suspend from quotation the securities of a CNQ Issuer if CNQ or the CNQ Market Regulator determines that the CNQ Issuer fails to meet any of the above criteria or it is in the public interest to suspend quotation of the securities of the CNQ Issuer.

**5. Quotation in US Dollars**

5.1 The CNQ System accommodates securities being quoted in US dollars. Securities cannot trade in both US and Canadian dollars, but a CNQ Issuer may have one class of security qualify for quotation in US dollars and a different security qualify for quotation in Canadian dollars.

**6. Quotation of Securities Convertible or Exercisable into Securities of Exchange Listed Issuers**

6.1 CNQ may in its discretion permit quotation of warrants or convertible securities of Issuers, whose underlying securities are listed on a recognized stock exchange in Canada if the warrants or convertible securities are not listed on the stock exchange.

6.2 CNQ may amend, modify or waive its qualification for quotation requirements, in whole or in part, to permit quotation of warrants or convertible securities of exchange listed Issuers. CNQ will permit quotation of warrants or convertible securities only after consultation and in coordination with the recognized stock exchange.

**POLICY 3****SUSPENSIONS AND DISQUALIFICATION****1. Quotation Agreement**

1.1 The Quotation Agreement authorizes CNQ or the Market Regulator to halt and authorize CNQ to suspend quotation and trading in a CNQ Issuer's securities or to disqualify for quotation the securities of a CNQ Issuer, without notice, at any time, if CNQ or the Market Regulator, as the case may be, believes it is in the public interest.

**2. Halts**

2.1 CNQ or the Market Regulator can order a quotation and trading halt to allow for public dissemination of material news pursuant to Policy 5.

**3. Suspensions**

3.1 CNQ will automatically and without any prior notice suspend from qualification for quotation a CNQ Issuer's securities if, at any time, the CNQ Issuer:

- (a) fails to meet any of the requirements for continued qualification for quotation;
- (b) fails to comply with Ontario securities law;
- (c) fails to comply with the Quotation Agreement or any CNQ Requirement; or
- (d) CNQ considers it in the public interest to do so.

3.2 If a CNQ Issuer which has had its securities suspended from qualification for quotation pursuant to this Policy 3 or otherwise has, within 90 days from the date of such suspension, cured the default or breach that gave rise to the suspension and paid CNQ the requalification fee set out in Policy 10, the CNQ Issuer's securities will automatically requalify for quotation.

3.3 Throughout the period during which a CNQ Issuer's securities are suspended from qualifying for quotation, the CNQ System will not allow quotation or trading by CNQ Dealers in the securities of the CNQ Issuer; the CNQ.ca website will indicate that the CNQ Issuer's securities have been suspended from qualification for quotation. CNQ Dealers may quote or trade the securities of the CNQ Issuer on other marketplaces or over-the-counter unless prohibited under securities legislation or UMIR.

3.4 Throughout the period during which a CNQ Issuer's securities are suspended from qualifying

for quotation, the CNQ Issuer must continue to comply with all applicable CNQ Requirements.

#### 4. Disqualifications and Withdrawal of Quotations

4.1 CNQ will automatically and without any prior notice, disqualify from quotation a CNQ Issuer's securities unless the Issuer has, within 90 days of having its securities suspended from qualification for quotation:

- (a) cured the default or breach that gave rise to the suspension from qualification for quotation; and
- (b) paid to CNQ the requalification fee set out in Policy 10.

4.2 CNQ may, automatically and without any prior notice, disqualify for quotation a CNQ Issuer's securities if CNQ and the CNQ Market Regulator consider that it would be in the public interest to do so.

4.3 A CNQ Issuer may at any time request that CNQ withdraw from quotation all or any class of its securities. Any such request must be made in writing and must identify the securities that will be the subject of the withdrawal.

## POLICY 4

### CORPORATE GOVERNANCE AND MISCELLANEOUS PROVISIONS

#### 1. Introduction

1.1 Boards of directors should be structured and their proceedings conducted in a way calculated to encourage, reinforce, and demonstrate the board's role as an independent and informed monitor of the conduct of the corporation's affairs and the performance of its management. Board structure and practice will, over time, significantly affect the extent to which a board of directors is likely to exercise its powers and discharge its obligations in a manner that effectively advances corporate objectives.

1.2 No single governance structure fits all publicly held corporations, and there is considerable diversity of organizational styles. Each corporation should develop a governance structure that is appropriate to its nature and circumstances.

#### 2. Corporate Governance

2.1 The board of directors of every CNQ Issuer is responsible for, among other things, the following matters:

- (a) strategic planning;
- (b) principal business risks and risk management;
- (c) appointing, training and monitoring senior management
- (d) executive compensation;
- (e) succession planning;
- (f) communications policy; and
- (g) internal control and management information systems.

2.2 Canadian corporate law generally prescribes requirements related to the number or percentage of outside directors. For example, the *Business Corporations Act* (Ontario) requires that an offering corporation have at least three directors, at least one-third of whom are outside directors. The similar provisions of the *Canada Business Corporations Act* require that at least two directors be outside directors. An outside director may or may not be an unrelated director, which is a director who has no tie to the corporation other than as a director or as a shareholder who is not a control block holder. Both outside and unrelated directors can bring a fresh perspective to issuers

in addition to acting as an independent discipline on management. CNQ considers that a requirement to have a specified number or percentage of outside directors or a specified number or percentage of unrelated directors may not be suitable for all CNQ Issuers. Smaller corporations frequently do not have the resources or the ability to attract talented individuals to serve as outside or unrelated directors. It may also be more important for small issuers to have on the board individuals who have a prior familiarity with the issuer's business rather than those who can bring an independent perspective or discipline. For this reason CNQ does not prescribe requirements dealing with outside or unrelated directors; however CNQ Issuers must comply with applicable corporate law. However, CNQ Issuers are encouraged to examine the appropriateness of including either or both outside or unrelated directors, on their boards of directors.

- 2.3 Every CNQ Issuer, as an integral element of the process for appointing new directors, should provide an orientation and education program or manual for new recruits to the board.
- 2.4 Every board of directors should examine its size and, with a view to determining the impact of the number of directors upon effectiveness, undertake where appropriate, a program to reduce or increase the number of directors to a number which facilitates more effective decision-making.
- 2.5 The board of directors, together with the senior management, such as the Chief Executive Officer or President, should develop position descriptions for the board and for the senior management, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the senior management is responsible for meeting.
- 2.6 Canadian corporate law generally prescribes a minimum number or percentage of directors sitting on the audit committee of the board of directors that must be outside directors. For example, the *Business Corporations Act* (Ontario) requires that an offering corporation have an audit committee composed of not less than three directors, a majority of whom are not officers or employees of the corporation or any of its affiliates.
- 2.7 The Canadian Securities Administrators (the "CSA") Notice respecting audit committees provides additional guidelines to CNQ Issuers. The CSA Notice provides that the objectives of an audit committee, are as follows:
- (a) to help directors meet their responsibilities, especially for accountability;

- (b) to provide better communication between directors and external auditors;
- (c) to enhance the external auditor's independence
- (d) to increase the credibility and objectivity of financial reports; and
- (e) to strengthen the role of the outside directors by facilitating in depth discussions between directors on the audit committee, management and external auditors.

- 2.8 The role of audit committees is continuing to evolve. Boards of directors of CNQ Issuers should adapt the responsibilities of their audit committees to their particular circumstances. CNQ agrees with the CSA Notice that no published set of practices can substitute for the active commitment to high standards by every party having responsibility for the corporate disclosure system.
- 2.9 CNQ strongly encourages boards of directors of CNQ Issuers to select independent directors as members of audit committees, to limit membership to such directors whenever possible and that the chairperson of the audit committee should be an independent director.
- 2.10 For reasons similar to those expressed in paragraph 2.2, CNQ does not consider that it is appropriate to prescribe a higher threshold for CNQ Issuers than that prescribed by corporate law or recommended by the CSA. However, CNQ endorses the recommendations and guidelines of the CSA Notice. CNQ Issuers should consider that placing a greater number or higher percentage of outside or unrelated directors on the audit committee may function as an effective protection of shareholder interests.
- 2.11 The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the CNQ Issuer in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.
- 2.12 Although CNQ does not prescribe corporate governance requirements, investors will expect that all CNQ issuers are subject to the requirements that generally apply to Canadian corporations unless informed otherwise. Therefore, non-corporate issuers and issuers incorporated in jurisdictions outside of Canada must state in their quotation statement the nature and extent to which their governing legislation or constating documents differ materially from

Canadian legislation with respect to the aspects of corporate governance described in this Policy.

### 3. Directors and Officers

3.1 The identity, history and experience of management, including officers and directors, is important information concerning a CNQ Issuer.

3.2 Every officer and director of a CNQ Issuer is required to complete a Personal Information Form (Form 3) upon their appointment or election as an officer or director of a CNQ Issuer.

3.3 CNQ may collect such personal information about the directors and officers of a CNQ Issuer as CNQ may require and, notwithstanding the qualification for quotation of its securities, a CNQ Issuer must remove, or cause the resignation of, any director or officer which CNQ determines is not suitable for the purpose of acting as a director or officer of a CNQ Issuer, failing which CNQ may immediately disqualify for quotation the Issuer's securities.

### 4. Transfer and Registration of Securities

4.1 Every CNQ Issuer must maintain in good standing transfer and registration facilities in the City of Toronto, where the securities of the CNQ Issuer must be directly transferable. Where transfer facilities are maintained in other cities, certificates must be interchangeably transferable and identical in colour and form with the certificates transferable in Toronto. Certificates must name the cities where they are transferable.

### 5. Share Certificates

5.1 Certificates must bear a CUSIP number which can be obtained from the Clearing Corporation.

5.2 All certificates must conform with the requirements of the corporate and securities legislation applicable to the CNQ Issuer. All certificates must be printed by a recognized bank note company or its affiliate or other security printer which has a contractual affiliation with a recognized bank note company.

5.3 The foregoing requirements, except for a CUSIP number, do not apply to a completely non-certificated issue that complies with the requirements of the Clearing Corporation.

### 6. Book Based System

The securities of all CNQ Issuers must be qualified for and entered into the book-based system maintained by the Clearing Corporation

## POLICY 5

### TIMELY DISCLOSURE AND POSTING REQUIREMENTS

#### 1. Introduction

1.1 CNQ believes that two of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices are: (a) high quality and timely continuous disclosure by CNQ Issuers, and (b) comprehensive market regulation to ensure that high quality and timely continuous disclosure occurs. All investors must have equal and timely access to material information about a CNQ Issuer, both to allow investors to make reasoned and informed investment decisions, and to participate in securities markets on an equal footing with other investors.

1.2 Recent advances in the technology of information dissemination such as SEDAR and the Internet facilitate immediate, widespread and economical dissemination of issuer information. For this reason, CNQ requires CNQ Issuers to provide an enhanced standard of disclosure to secondary market participants, irrespective of the Issuer's size. The establishment of a comprehensive, publicly available disclosure base for every CNQ issuer lies at the heart of the CNQ market.

1.3 To continue to qualify for quotation, every CNQ Issuer must make high quality, timely continuous disclosure of material information.

1.4 This Policy is not an exhaustive statement of the timely and continuous disclosure requirements applicable to Issuers. CNQ Issuers must comply with all applicable requirements of securities legislation and Commission rules. In particular, mining issuers must comply with the additional disclosure requirements of National Policy 43-101- Standards of Disclosure for Mineral Projects. Oil and gas issuers must comply with the additional disclosure requirements of (Proposed) National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. All CNQ Issuers must comply with National Policy 51-201 – Disclosure Standards.

#### 2. Disclosable Events

2.1 Issuers are required to make public disclosure of all material information.

2.2 CNQ Issuers are not required to interpret the impact of external political, economic and social developments on their affairs, but if the external development will have or has had a direct effect on their business and affairs that is both material and uncharacteristic of the effect generally experienced as a result of such development by

other companies engaged in the same business or industry, CNQ Issuers are urged, where practical, to explain the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, an announcement should be made. A reasonable investor's investment decision may be affected by factors relating directly to the securities themselves as well as by information concerning the CNQ Issuer's business and affairs. For example, changes in a CNQ Issuer's issued capital, stock splits, redemptions and dividend decisions may all have an impact upon the reasonable investor's investment decision.

2.3 Actual or proposed developments that require immediate disclosure include, but are not limited to, the following:

1. changes in share ownership that may affect control of the issuer;
2. changes in corporate structure, such as reorganizations, amalgamations, etc.;
3. take-over bids or issuer bids;
4. major corporate acquisitions or dispositions;
5. changes in capital structure;
6. borrowing of a significant amount of funds;
7. public or private sale of additional securities;
8. development of new products and developments affecting the Issuer's resources, technology, products or market;
9. significant discoveries or exploration results, both positive and negative, by resource companies;
10. entering into or loss of significant contracts;
11. firm evidence of significant increases or decreases in near-term earnings prospects;
12. changes in capital investment plans or corporate objectives;
13. significant changes in management;
14. significant litigation;

15. major labour disputes or disputes with major contractors or suppliers;
16. events of default under financing or other agreements; or
17. any other developments relating to the business and affairs of the issuer that might reasonably be expected to influence or change an investment decision of a reasonable investor.

2.4 Disclosure is only required where a development is material. Announcements of an intention to proceed with a transaction or activity should be made when a decision has been made to proceed with it by the CNQ Issuer's board of directors, or by senior management with the expectation of concurrence from the board of directors. However, a corporate development in respect of which no firm decision has yet been made but that is reflected in the market price may require prompt disclosure.

2.5 Forecasts of earnings and other financial forecasts need not be disclosed, but where a significant increase or decrease in earnings is indicated in the near future, such as in the next fiscal quarter, this fact must be disclosed. Forecasts should not be provided on a selective basis to investors or others not involved in the management of the affairs of the issuer. If disclosed, they should be generally disclosed.

**3. Consultation with the Market Regulator**

3.1 It is the responsibility of each issuer to determine what information is material in the context of the CNQ Issuer's own affairs. The materiality of information varies from one CNQ Issuer to another, and will be influenced by factors such as the CNQ Issuer's profitability, assets, capitalization, and the nature of its operations. An event that is "significant" or "major" in the context of a smaller CNQ Issuer's business and affairs may not be material to a larger CNQ Issuer.

3.2 Given the element of judgment involved, CNQ Issuers are encouraged to consult with the Market Regulator on a confidential basis as to whether a particular event gives rise to material information.

**4. Rumours and Unusual Trading Activity**

4.1 Rumours and unusual trading activity may influence or change the investment decision of a reasonable investor and/or the trading price of the CNQ Issuer's securities. It is impractical to expect management to be aware of, and comment on, all rumours or unusual trading activity. However, when either rumours or unusual trading activity occur, the Market Regulator may request that the CNQ Issuer make a clarifying statement. A trading

halt may be imposed pending release of a “no corporate developments” statement from the CNQ Issuer. If a rumour is correct in whole or in part, or if it appears that the unusual trading activity reflects illicit trading on non-disclosed material information, the Market Regulator will require the CNQ Issuer to make immediate disclosure of the relevant material information, and a trading halt may be imposed pending release and dissemination of that information.

**5. Timing of Disclosure and Pre-Notification of the Market Regulator**

5.1 Subject to pre-notification of the Market Regulator, a CNQ Issuer is required to disclose material information forthwith upon the information becoming known to management, or in the case of information previously known, forthwith upon it becoming apparent that the information is material. Immediate release of information is necessary to ensure that it is promptly available to all investors and to reduce the risk that persons with access to that information will act upon undisclosed information.

5.2 The policy of immediate disclosure frequently requires that press releases be issued during trading hours, especially when an important corporate development has occurred. When this occurs, the CNQ Issuer must notify the Market Regulator prior to the issuance of a press release. The Market Regulator will then be able to determine whether trading in the CNQ Issuer’s securities should be temporarily halted.

**6. Dissemination**

6.1 A news release must be transmitted to the media by the quickest possible method, and by a method that provides the widest dissemination possible. To ensure that the entire financial community is aware of the news at the same time, a wire service (or combination of services) must be used which provides national and simultaneous coverage.

6.2 CNQ accepts the use of any news services that meet the following criteria:

- (a) dissemination of the full text of the release to the national financial press and to daily newspapers that provide regular coverage of financial news;
- (b) dissemination to all CNQ Dealers; and
- (c) dissemination to all relevant regulatory bodies.

6.3 Dissemination of news is essential to ensure that all investors have equal and timely information. The onus is the CNQ Issuer to ensure appropriate

dissemination of news releases, and any failure to properly disseminate news shall be deemed to be a breach of this policy and shall be grounds for suspension or disqualification from quotation of the CNQ Issuer’s securities. In particular, CNQ will not consider relieving a CNQ Issuer from its obligation to disseminate news properly because of cost factors.

6.4 CNQ Issuers must simultaneously post to the CNQ.ca website all news releases disseminated.

**7. No Selective Disclosure**

7.1 Disclosure of material information must not be made on a selective basis. The disclosure of material information should not occur except by means that ensure that all investors have access to the information on an equal footing. CNQ recognizes that good corporate governance involves actively communicating with investors, brokers, analysts, and other interested parties with respect to the corporation’s business and affairs, through private meetings, formal or informal conferences, or by other means. However, when communications of any nature occur other than widely disseminated press releases in accordance with this rule, CNQ Issuers may not, under any circumstances, communicate material information to anyone, other than in the necessary course of business, in which case the party receiving the information must be instructed to keep it confidential and not to trade the CNQ Issuer’s securities.

7.2 The board of directors of a CNQ Issuer should put in place policies and procedures that will ensure that those responsible for dealing with shareholders, brokers, analysts, and other external parties are aware of their and the CNQ Issuer’s obligations with respect to the disclosure of material information.

7.3 Should material information be disclosed, whether deliberately or inadvertently, other than through a widely disseminated press release in accordance with the rule, the CNQ Issuer must immediately contact the Market Regulator and request a trading halt pending the widespread dissemination of the information.

**8. Content of News Releases**

8.1 Announcements of material information should be factual and balanced and unfavourable news must be disclosed just as promptly and completely as favourable news. News releases must contain sufficient detail to enable investors to make informed investment decisions. CNQ Issuers should communicate clearly and accurately the nature of the information, without including unnecessary details, exaggerated reports or editorial commentary.

8.2 All news releases must include the name of an officer or director of the CNQ Issuer who is responsible for the announcement, together with the CNQ Issuer's telephone number. The Issuer may also include the name and telephone number of an additional contact person.

8.3 Any CNQ Issuer that fails to comply with any provision of this Policy may be subject to a halt of quotation and trading of its securities without prior notice to the CNQ Issuer.

**9. Confidential Disclosure - When Information May be Kept Confidential**

9.1 Section 75(3) of the *Securities Act* (Ontario), as supplemented by National Policy 51-201, provides that where, in the opinion of the reporting issuer, the public disclosure of a material change would be unduly detrimental to the interests of the reporting issuer, or where the material change consists of a decision to implement a change made by senior management of the issuer who believe that confirmation of the decision by the board of directors is probable, the reporting issuer may file a report disclosing a material change on a confidential basis. Non-disclosure of information is also provided for in s.140(2) of the *Securities Act* (Ontario).

9.2 When a reporting issuer requests that information be kept confidential, then pursuant to s.75(4) of the *Securities Act*, the reporting issuer must advise the Commission in writing within 10 days if it wishes that the information continue to be held on a confidential basis, and every 10 days thereafter until the material information is generally disclosed. The Commission takes the view that it can require the issuer to disclose confidential information when, in its view, the benefit from public disclosure would outweigh the harm to the issuer resulting from disclosure.

9.3 CNQ Issuers should be guided by pertinent securities legislation in determining whether material information can be filed on a confidential basis with the Commission. Where a decision is made to file a confidential report with the Commission, the Market Regulator must be immediately notified of the CNQ Issuer's decision to do so. The Market Regulator must be provided with a copy of all submissions to the Commission relating to a request to make or to continue confidential disclosure, or to make general disclosure of previously held confidential information. The Market Regulator must be kept fully apprised of the nature of any discussions between the CNQ Issuer and the Commission relevant thereto, and any decision of the Commission with respect to the ability of the CNQ Issuer to make or continue confidential disclosure, or requiring the CNQ Issuer to make general disclosure.

**10. Maintaining Confidentiality**

10.1 Where disclosure of material information is delayed, the CNQ Issuer must maintain complete confidentiality. In the event that such confidential information, or rumours respecting the same, is divulged in any manner (other than in the necessary course of business), the CNQ Issuer is required to make an immediate announcement on the matter. The Market Regulator must be notified material information is disclosed, market activity in the CNQ Issuer's securities should be closely monitored by the issuer. Any unusual market activity probably means that news of the matter is being disclosed and that certain persons are taking advantage of it. In such case, the Market Regulator should be advised immediately and a halt in trading will be imposed until the CNQ Issuer has made disclosure of the material information.

10.2 At any time when material information is being withheld from the public, the CNQ Issuer is under a duty to take precautions to keep such information completely confidential. Such information should not be disclosed to any of the CNQ Issuer's officers, employees or advisers, except in the necessary course of business. The directors, officers and employees of a CNQ Issuer should be reminded on a regular basis that confidential information obtained in the course of their duties must not be disclosed.

**11. Insider Trading**

11.1 CNQ Issuers should make insiders and others who have access to material information about the CNQ Issuer before it is generally disclosed aware that trading in securities of the issuer (or securities whose market price or value varies materially with the securities of the reporting issuer) while in possession of undisclosed material information or tipping such information is prohibited under Ontario securities law, and may give rise to administrative, civil and/or criminal liability.

11.2 In any situation where material information is being kept confidential, management is under a duty to take every possible precaution to ensure that no trading whatsoever takes place by any insiders or persons in a "special relationship" with the CNQ Issuer in which use is made of such information before it is generally disclosed to the public.

11.3 In the event that the Market Regulator is of the opinion that insider or improper trading may have occurred before material information has been disclosed and disseminated, the Market Regulator may require that an immediate announcement be made disclosing such material information. The Market Regulator will refer the matter to the appropriate securities commission(s) for enforcement action.

**12. Quotation and Trading Halts**

12.1 The Market Regulator will normally halt quotation and trading if:

- (a) the CNQ Issuer requests a halt, during trading hours, to allow for the dissemination of material information. The Market Regulator must be advised of the material information and halt request as soon as possible, by phone or fax, so that the Market Regulator may determine whether a quotation and trading halt is warranted pending the filing and dissemination of the news release;
- (b) rumours are circulating in the marketplace that might influence or change a reasonable investor's investment decision;
- (c) unusual trading activity suggests that material information is selectively available. The Market Regulator may require that the CNQ Issuer either disseminate an initial news release if it has not yet done so, or a further news release to rectify the situation;
- (d) the CNQ Issuer is not in compliance with the terms of its Quotation Agreement or any CNQ Requirement or Ontario securities law;
- (e) the CNQ Issuer has issued an inaccurate, inadequate or misleading news release or the CNQ Issuer has issued a news release but has not requested a halt pending public dissemination of the news, and the market reacts sharply; or
- (f) circumstances exist which, in the opinion of CNQ or the Market Regulator, could adversely affect the public interest or the integrity of the CNQ market.

12.2 Where rumours or unusual trading activity are not based on undisclosed material information, the Market Regulator may halt quotation and trading pending the release and dissemination of a "no corporate developments" statement. When the rumours or unusual trading activity are based on whole or in part on undisclosed material information, the Market Regulator may halt trading and quotation pending the release of the material information.

12.3 The Market Regulator, upon consultation with the CNQ Issuer, if appropriate, will determine the time required to disseminate the news release and consequently the length of any quotation and trading halt.

12.4 A CNQ Issuer may request a halt in quotation and trading of its securities pending public disclosure of material information concerning the CNQ Issuer.

12.5 In the event a CNQ Issuer requests a halt in quotation and trading of its securities, the CNQ Issuer shall disseminate a news release as soon as practicable and in any event within 24 hours of the halt, either:

- (a) disclosing the material information, or
- (b) advising that the halt is at the request of the CNQ Issuer and that public disclosure is pending.

In the former case the halt shall be lifted after dissemination of the news release. In the latter case the halt shall continue unless CNQ or the Market Regulator determines resumption of quotation and trading is in the public interest.

12.6 It is not appropriate for a CNQ Issuer to request a halt if an announcement of material information is not going to be made forthwith.

12.7 A CNQ Issuer may request a halt if material information is to be kept confidential and disclosure delayed temporarily.

12.8 Throughout the period during which a CNQ Issuer's securities are halted, CNQ Dealers shall not quote or trade the securities of the CNQ Issuer on any marketplace or over-the-counter as principal or agent.

**13. Documents Required to be Posted**

13.1 Every CNQ Issuer must post the following documents:

- (a) every document required by the CNQ Policies;
- (b) every document required to be filed with the Commission, to be delivered to shareholders of a CNQ Issuer or to be filed on SEDAR;
- (c) an annually-updated Management's Discussion and Analysis set out in Section 6 of the Quotation Statement, to be posted within 140 days after the end of the financial year of the Issuer;
- (d) a Quarterly Quotation Statement (Form 5), to be posted with a CNQ Issuer's unaudited interim financial statement required under the *Securities Act* (Ontario);

- (e) a Monthly Progress Report (Form 7), to be posted before the opening of trading on the first trading day of each month;
- (f) a Certificate of Compliance (Form 6), to be posted before the opening of trading on the first trading day of each month;
- (g) in the event that an event giving rise to material information occurs that would make the CNQ Issuer's Quotation Statement inaccurate or misleading, the CNQ Issuer shall amend its Quotation Statement and Quotation Summary, if applicable, accordingly and forthwith post the revised Quotation Statement and Quotation Summary, if applicable, and in no event later than two days following the event giving rise to the material information; and
- (h) an annually-updated Quotation Statement completed to reflect all changes to information appearing in the previously posted Quotation Statement.

**POLICY 6****DISTRIBUTIONS****1. General**

- 1.1 CNQ issuers must comply with the requirements of this Policy for any distribution of quoted securities or any distribution of a security that is exchangeable, exercisable or convertible into a quoted security. The specific requirements that apply depend on the nature of the agreement giving rise to the distribution.
- 1.2 The CNQ Timely Disclosure Policy recognizes that restricted circumstances exist where an issuer may keep material information confidential for a limited period of time if premature disclosure would be unduly detrimental to the company. CNQ Issuers must not set option exercise prices or other prices at which shares may be issued on the basis of market prices that do not reflect information known to management that has not been disclosed. Exceptions are where the share option or issuance relates directly to the undisclosed event and the grantee or recipient of the shares is not an employee or insider of the CNQ Issuer at the time of grant or issue (e.g. an issuance of shares in payment for an acquisition, or a grant of options to an employee of the company to be acquired as an incentive to remain with the CNQ Issuer).
- 1.3 Requirements for stock splits and consolidations are detailed in Policy 9. Distributions that result in or could result in a change of business or a change of control may be subject to the additional requirements of Policy 8. Non-arm's length distributions may be subject to the requirements of OSC Rule 61-501 in addition to the requirements of this Policy.
- 1.4 In addition to the requirements of this Policy, CNQ Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, CNQ Issuers should refer to National Instrument 45-101 for rights offerings, OSC Rule 45-501 for exempt distributions in Ontario, Multilateral Instrument 45-103 for exempt distributions in Alberta and British Columbia and Multilateral Instrument 45-102 for restrictions on resale of securities.
- 1.5 As an issuance or potential issuance of securities constitutes material information, the CNQ Issuer must comply with Policy 5 in addition to the requirements of this Policy.

**2. Private Placements**

- 2.1 CNQ defines the term "private placement" as a prospectus exempt distribution of securities for cash or in consideration for forgiveness of bona fide debt. CNQ Issuers may not make a private

placement at a price per security lower than the greater of (a) \$0.05 and (b) the closing market price of the security on the CNQ System on the Trading Day prior to the earlier of dissemination of a news release disclosing the private placement or posting of notice of the proposed private placement, less a discount which shall not exceed the amount set forth below:

(1) Closing Price	Discount
Up to \$0.50	25% (subject to a minimum price of \$0.05)
\$0.51 to \$2.00	20%
Above \$2.00	15%

2.2 The closing price is to be adjusted to reflect stock splits or consolidations and may not be influenced by the issuer, any officer or director of the issuer or any party to or with knowledge of the private placement.

2.3 If debt is to be exchanged for shares, the purchase price is to be determined by the face amount of the debt divided by the number of shares to be issued. If the private placement is of special warrants, the price per share is to be determined based on the total number of shares that may be issued under the placement assuming any penalty provisions are triggered. If the private placement involves securities exercisable or convertible into a quoted security, please refer to section 7 in addition to this section.

2.4 A CNQ Issuer with a bona fide intention to do a private placement may, on a confidential basis, request price protection based on the closing price on the Trading Day prior to the date on which notice is given to CNQ. The price protection will expire if the private placement has not closed within 45 days of the day on which notice is given to CNQ.

2.5 A CNQ Issuer that has agreed to do a private placement must immediately post notice of the proposed private placement (Form 9) on the CNQ.CA website.

2.6 At least one full Business Day prior to closing of the proposed private placement the CNQ Issuer must post the following documents:

- (a) an amended Form 9, if applicable;
- (b) a Form 45-501F1 filed (or to be filed) in connection with the private placement;

2.7 Forthwith upon closing, the CNQ Issuer must post the following documents:

- (a) a letter of CNQ Issuer confirming receipt of proceeds

- (b) an opinion of counsel that:
  - (i) the CNQ Issuer is in good standing under and not in default of applicable corporate law;
  - (ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and in each jurisdiction in which it is a reporting issuer or equivalent; and
  - (iii) the securities issued in connection with the private placement (including any underlying securities, if applicable) have been duly issued and are outstanding as fully paid and non-assessable shares; and
- (c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law and CNQ Requirements.

**3. Acquisitions**

3.1 Where a CNQ Issuer proposes to issue securities as full or partial consideration for assets (including securities), the CNQ Issuer must immediately post notice of the proposed acquisition (Form 9). Management of the Issuer is responsible for ensuring that the consideration paid for the asset is reasonable and must retain adequate evidence of value received for consideration paid such as confirmation of out-of-pocket costs or replacement costs, fairness opinions, geological reports, financial statements or valuations. The evidence of value must be made available to CNQ upon request. Shares issued must issued at a price that does not exceed the maximum discount allowable under section 2.1.

3.2 At least one full Business Day prior to closing of the proposed acquisition the CNQ Issuer must post the following documents:

- (a) an amended Form 9, if applicable; and
- (b) a Form 45-501F1 filed in connection with the acquisition.

3.3 Forthwith upon closing, the CNQ Issuer must post the following documents:

- (a) a letter of the CNQ Issuer confirming closing of the acquisition and receipt of the assets, transfer of title to the assets or other evidence of receipt of

- consideration for the issuance of the securities
- (b) an opinion of counsel that:
  - (i) the CNQ Issuer is in good standing under and not in default of applicable corporate laws;
  - (ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and each jurisdiction in which it is a reporting issuer or equivalent; and
  - (iii) the shares issued in connection with the acquisition (including any underlying shares, if applicable) have been duly issued and are outstanding as fully paid and non-assessable shares; and
- (c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law.

- (a) an amended Form 8, if applicable;
- (b) a copy of the final prospectus (if not already posted);
- (c) a copy of the receipt for the final prospectus issued by the Commission (if not already posted);
- (d) an opinion of counsel that:
  - (i) the securities issued in connection with the prospectus offering have been validly created in accordance with applicable law; and
  - (ii) such securities (including any underlying securities, if applicable) when issued will be validly issued as fully paid and non-assessable;
- (e) a copy of the opinion of counsel to the CNQ Issuer given on the closing to the underwriter (or to the CNQ Issuer); and
- (f) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law and CNQ Requirements.

**4. Prospectus Offerings**

- 4.1 A CNQ Issuer proposing to issue securities pursuant to a prospectus must disseminate a press release and file notice of the proposed prospectus offering (Form 8).
- 4.2 The CNQ Issuer must post the following documents concurrently with their filing on SEDAR:
  - (a) a copy of the preliminary prospectus;
  - (b) a copy of the receipt for the preliminary prospectus issued by the Commission or other applicable securities regulatory authority;
  - (c) a copy of the final prospectus; and
  - (d) a copy of the receipt for the final prospectus issued by the Commission.

The CNQ Issuer may post any other information or documentation relating to the proposed prospectus offering otherwise in compliance with Ontario securities law that the CNQ Issuer considers relevant or of interest to investors.
- 4.3 Prior to closing of the prospectus offering and the issuance of any securities pursuant thereto the CNQ Issuer must post the following documents:

**5. Incentive Stock Options**

- 5.1 This section sets out CNQ's requirements respecting stock options (other than overallotment options to an underwriter in a prospectus offering or options to increase the size of the distribution prior to closing) which are used as incentives or compensation mechanisms for employees, directors, officers, consultants and other persons who provide services for CNQ Issuers.
- 5.2 A CNQ Issuer must not grant stock options with an exercise price lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.
- 5.3 In addition to CNQ Requirements, a CNQ Issuer must comply with the provisions of Commission Rule 45-503 Trades to Employees, Executives and Consultants. For clarity a CNQ Issuer is or is deemed to be a non-listed issuer for purposes of Rule 45-503.
- 5.4 A CNQ Issuer must post the following documentation on the date the CNQ Issuer grants stock options immediately after the grant:

- (a) a notice of stock option grant or amendment (Form 11); and
- (b) an opinion of counsel that the securities issuable upon exercise of the stock options have been validly created in accordance with applicable law and that such securities will, when issued in accordance with the terms of the stock option plan or agreement, as applicable, be validly issued as fully paid and non-assessable.

5.5 The terms of an option may not be amended once issued. If an option is cancelled prior to its expiry date, the CNQ Issuer must post notice of the cancellation and shall not grant new options to the same person until 30 days have elapsed from the date of cancellation.

## **6. Rights Offerings**

### **General Requirements**

6.1 A CNQ Issuer completing a rights offering must do the following at least seven trading days in advance of the record date (the record date being the date of closing of the transfer books for preparation of the final list of shareholders who are entitled to receive rights):

- (a) clearances for the rights offering must be obtained from the Commission and all other securities commissions in jurisdictions where the rights will be distributed;
- (b) all the terms of the rights offering must be finalized; and
- (c) the CNQ Issuer must post all of the following documents (in addition to any other documents that may be required by Ontario securities law and other applicable securities legislation):
  - (i) a copy of the final version of the rights offering circular as approved by the Commission;
  - (ii) a specimen copy of the rights certificates;
  - (iii) a written statement as to the date on which it is intended that the rights offering circular and rights certificates will be mailed to the shareholders (which should be as soon as possible after the record date); and
  - (iv) an opinion of counsel that the rights and the securities

issuable upon exercise of the rights have been validly created in accordance with applicable law and that such securities will, when issued in accordance with the terms of the rights offering, be validly issued as fully paid and non-assessable.

### **Quotation of Rights on CNQ**

6.2 Rights which receive all regulatory approvals may be qualified for quotation on the CNQ System if the rights entitle the holders to purchase securities qualified for quotation. Rights which do not fall into this category will normally not be quoted on CNQ. If rights issued to shareholders of a CNQ Issuer entitle the holders to purchase securities of another Issuer which is not qualified for quotation, the rights will not be quoted on the CNQ System unless such other Issuer and its securities are qualified for quotation on the CNQ System.

6.3 Rights are quoted on the CNQ System on the second trading day preceding the record date. At the same time, the shares of the CNQ Issuer commence trading on an ex-rights basis, which means that purchasers of the CNQ Issuer's securities are not entitled to receive the rights.

6.4 Quotation and trading in rights for normal settlement ceases prior to the opening on the second trading day preceding the expiry date. Quotation in rights on CNQ ceases at 12:00 noon on the expiry date.

### **Other Requirements Respecting Rights**

6.5 Rights must be transferable.

6.6 (a) Once the rights have been quoted on the CNQ System, the essential terms of the rights offering, such as the exercise price or the expiry date, may not be amended.

(b) Shareholders must receive at least one right for each share held.

(c) The rights offering must be unconditional.

### **Report of Results of Rights Offering**

6.7 As soon as possible after the expiry of the rights offering, the CNQ Issuer must do the following:

(a) post a letter stating the number of securities issued as a result of the rights offering, including securities issued pursuant to any underwriting or similar arrangement; and

- (b) disseminate a news release setting out details of the rights offering and confirming the closing of the offering.

**7. Options, Warrants and Convertible Securities Other Than Incentive Options or Rights**

- 7.1 Quoted securities issuable on conversion of an option, warrant or other convertible security other than an incentive option or right (collectively, “convertible securities”) may not be issued at a price (including the purchase price of the convertible) lower than the closing market price of the quoted security on the CNQ System on the Trading Day prior to the earlier of dissemination of a news release disclosing the issuance of the convertible security or the posting of notice of the proposed issuance of the convertible security. For example, if the closing price of the common shares of a CNQ Issuer was \$0.50 and a warrant was sold at \$0.05, the exercise price of the warrant could not be less than \$0.45. If a convertible preferred share were issued at \$1.00, it could not be convertible into more than 2 common shares.
- 7.2 If convertible securities are issued in connection with a private placement of the underlying shares, the total number of underlying shares issuable on conversion cannot be greater than the number of underlying shares initially purchased in the private placement.
- 7.3 Convertible securities may not be convertible into a quoted security and another convertible security. For example, a warrant may be convertible into a quoted common share and a non-convertible preferred share, but cannot be convertible into a common share and a warrant to buy a further common share.
- 7.4 In all other respects, the provisions of this Policy apply to the issuance of convertibles. Please refer to section 2 for further requirements for private placements of convertibles, section 3 for issuances of convertibles in connection with an acquisition and section 4 for prospectus offerings.
- 7.5 Except in exceptional circumstances and with the prior consent of CNQ, CNQ Issuers must not change, modify or amend the characteristics of outstanding warrants or other convertible securities other than pursuant to standard anti-dilution terms. For greater certainty, the fact that a convertible security will expire out of the money is not an “exceptional circumstance.”
- 7.6 CNQ Issuers must obtain appropriate corporate approvals prior to any change, modification or amendment of outstanding warrants or other convertible securities (including non-quoted securities).

**8. Control Block Distributions**

- 8.1 A control block holder wishing to distribute securities of a CNQ Issuer through a CNQ Dealer and the CNQ System shall post on the CNQ Issuer’s Insider frame on the CNQ.ca website a copy of the Form 45-102F3 Notice of Intention to Distribute together with the correspondence filing the Form 45-102F3 with the Ontario Securities Commission.
- 8.2 The CNQ Issuer shall be responsible for ensuring the control block holder complies with the provisions of this Policy, failing which the CNQ or the Market Regulator may halt, suspend or disqualify the securities of the CNQ Issuer from quotation.
- 8.3 In this section, “control block holder” does not include a holder that sells under the provisions of National Instrument 62-101.

**POLICY 7****SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS****1. Significant Transactions and Developments**

1.1 CNQ defines the term "significant transaction" as any corporate transaction, not involving equity securities, that constitutes material information concerning the CNQ Issuer. Significant transactions include, but are not limited to, material acquisitions, dispositions, option and joint venture agreements or license agreements entered into by the CNQ Issuer. In addition, "significant transaction" includes

- (a) any transaction or series of transactions with a Related Person with an aggregate value greater than the lower of (i) \$10,000 and (ii) 10% of the CNQ Issuer's market capitalization;
- (b) any loan to a CNQ Issuer other than a loan made by a financial institution;
- (c) any payment of bonuses, finders fees, commissions or other similar payment by a CNQ Issuer; and
- (d) entering into any contract for Investor Relations Activities.

1.2 CNQ defines the term "developments" as any internal corporate development that constitutes material information concerning the CNQ Issuer. Developments include, but are not limited to, material developments to a CNQ Issuer's products or the creation of a new product. A development may also include developments relating to an agreement such as the Issuer completing or failing to complete a milestone provided for in an agreement or breaching the terms of an agreement.

1.3 CNQ Issuers must disseminate a news release upon the occurrence of material information relating to significant transactions (other than significant transactions with Related Persons that do not otherwise constitute material information concerning the CNQ Issuer) and developments pursuant to Policy 5 and include updated information relating to significant transactions (including any significant transactions with Related Persons) and developments in its Monthly Progress Report and Quarterly Quotation Statement.

1.4 Significant transactions that result in a change of business may be subject to the additional requirements of Policy 8. Non-arm's length significant transactions may be subject to the requirements of OSC Rule 61-501 in addition to the requirements of this Policy. In the case of an

acquisition, management of the Issuer is responsible for ensuring that the consideration paid for the asset is reasonable and must retain adequate evidence of value received for consideration paid such as confirmation of out-of-pocket costs or replacement costs, fairness opinions, geological reports, financial statements or valuations. The evidence of value must be made available to CNQ upon request.

1.5 CNQ Issuers involved in a significant transaction or development must immediately post notice of the proposed significant transaction or development (Form 10) concurrently or as soon as practicable following the issuance of a news release announcing the significant transaction or development. In the case of a significant transaction with a Related Person that does not otherwise constitute material information concerning the CNQ Issuer (and which is not required to be disclosed under Policy 5), the notice must be posted upon the CNQ Issuer agreeing to the significant transaction.

1.6 At least one full Business Day prior to the closing of a proposed significant transaction the CNQ Issuer must post an initial or amended Form 10, if applicable.

1.7 Forthwith upon closing of a significant transaction, the CNQ Issuer must post

(a) a letter of CNQ Issuer confirming receipt of proceeds or payment of consideration provided for in the agreement(s) relating to the significant transaction (or describing the receipt or payment schedule);

(b) an opinion of counsel that:

(i) the CNQ Issuer is in good standing under and not in default of applicable corporate law;

(ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and in each jurisdiction in which it is a reporting issuer or equivalent; and

(c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law.

**2. Restrictions on Contracts for Investor Relations Activities**

2.1 Compensation to any persons providing Investor Relations Activities for a CNQ Issuer should be

based on the value of the services provided and not on the CNQ Issuer's market performance. In particular, compensation to persons providing Investor Relations Activities may not be determined in whole or in part by the CNQ Issuer's securities attaining certain price or trading volume thresholds.

## POLICY 8

### FUNDAMENTAL CHANGES

- 1.1 A "fundamental change" is a major acquisition accompanied or preceded by a change of control.
- 1.2 A "major acquisition" by a CNQ Issuer means an asset purchase (whether for cash or securities), take-over (formal bid or exempt bid), amalgamation, arrangement or other form of merger, the result of which is that for the next 12 month period at least 50% of the CNQ Issuer's
- (a) assets will be comprised of or
  - (b) anticipated revenues are expected to be derived from the assets, properties, businesses or other interests that are the subject of the major acquisition.

A "change of control" is a transaction or series of transactions involving the issue or potential issue of that number of securities of a CNQ Issuer that:

- (i) is equal to or greater than 100% of the number of equity securities of the CNQ Issuer outstanding prior to the transaction or series of transactions (commonly referred to as a "reverse take-over"), or
- (ii) otherwise results in a change of control of the CNQ Issuer or a substantial change of management or of the board of directors of the CNQ Issuer.

CNQ may in its sole discretion determine that a transaction or series of transactions is a fundamental change, notwithstanding these thresholds.

In broad terms, a fundamental change to a CNQ Issuer effectively results in a new issuer, such that the existing disclosure record cannot be relied upon to fairly value the company's securities. CNQ Issuers that are contemplating a transaction or series of transactions that may be a fundamental change must consult with CNQ at an early stage to determine how CNQ will characterize the transaction.

- 1.3 CNQ believes that one of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices is high quality, timely and continuous disclosure by CNQ Issuers. Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the CNQ Issuer and provided in an information circular or management proxy circular and Quotation Statement.

- 1.4 Enhanced disclosure should be made in connection with the announcement of a fundamental change. The disclosure should initially be made in a news release (to be issued and posted on the CNQ.ca website pursuant to Policy 5).
- 1.5 The Market Regulator will halt trading in the securities of the CNQ Issuer upon the announcement of a fundamental change to permit dissemination of the material information. CNQ will require the Market Regulator to continue the halt at least until the documentation required under sections 1.6 and 1.7 have been accepted and posted. During the halt, no CNQ dealer may quote or trade in the security in any marketplace or over-the-counter, either as principal or agent.
- 1.6 In order to qualify for quotation of the securities of the resulting issuer, the fundamental change must be approved by the securityholders of the CNQ Issuer at a meeting prior to completion of the transaction. The information circular or management proxy circular delivered to securityholders of the CNQ Issuer must contain prospectus level disclosure of the resulting company, including the financial statement disclosure set out in National Instrument 44-101, Commission Rule 41-501 – General Prospectus Requirements and Form 41-501F1. The information circular or management proxy circular must provide historical financial statements for the target company as if it were going public by way of prospectus and making application for quotation to CNQ, plus pro forma financial statements giving effect to the transaction for the last full fiscal year of the target company and any quarter that has been completed in the current fiscal year. Particular requirements are specified in Form 2A. The information circular or management proxy circular must be posted on the CNQ.ca website.
- 1.7 The Issuer resulting from the fundamental change must meet the criteria for quotation and make a complete initial application to qualify its securities for quotation on the CNQ System by preparing and filing all of the documents and following the procedures set out in Policy 2 concurrently with filing the information circular or management proxy circular. Completion of the transaction prior to qualification for quotation of the securities of the Issuer resulting from the transaction will result in a suspension from quotation of the CNQ Issuer.
- 1.8 Principals of the resulting CNQ Issuer must enter into an escrow agreement as if the company was subject to the requirements of NP 46-201 that provides for the escrow of the principal insiders' shares for a period of 36 months. Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released on the date that the shares commence trading on the CNQ system followed by six subsequent releases of 15% each every six months thereafter. The form of the escrow agreement must be as provided in NP 46-201.

**POLICY 9****NAME CHANGE, STOCK SPLITS AND SHARE CONSOLIDATIONS****1. Change of Name**

1.1 Upon a change of name of a CNQ Issuer, CNQ may assign a new stock symbol to the CNQ Issuer's securities at the request of the Issuer or on its own initiative. The CNQ Issuer's choices should be communicated to CNQ in advance of the effective date of the name change.

1.2 The following documents must be posted in connection with a name change:

- (a) a press release announcing the name change;
- (b) a notarial or certified copy of the Certificate of Amendment, or equivalent document;
- (c) a copy of the definitive specimen of the new or over-printed share certificates;
- (d) confirmation from the registrar and transfer agent that it is in a position to effect transfer in the new issue; and
- (e) confirmation of notification by the CNQ Issuer to the Commission and the Clearing Corporation of the name change.

1.3 The CNQ Issuer's securities will normally commence trading on the CNQ System under the new name and symbol at the opening of trading two or three trading days after all the documents set out in Section 1.2 are posted. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the name change and effective date of trading under the new name and symbol.

**2. Stock Split**

2.1 In order to facilitate trading in the securities of the CNQ Issuer and prevent confusion the CNQ Issuer must, after obtaining all necessary shareholder and other corporate approvals but prior to filing Articles of Amendment, if applicable, fix in advance a Record Date for determining shareholders entitled to the benefit of the stock split.

2.2 There are two methods of effecting a stock split: (a) the "push-out" method, and (b) the "call-in" method. If the stock split is accompanied by a share reclassification, either the push-out method or the call-in method may be used; otherwise the push-out method is preferable.

2.3 Under the push-out method, the shareholders keep the share certificates they currently hold, and shareholders of record as of the close of business on the Record Date are provided with additional share certificates by the CNQ Issuer.

2.4 Under the call-in method, the CNQ Issuer implements the stock split by replacing the share certificates currently in the hands of the shareholders with new certificates. Letters of Transmittal are sent to the shareholders of record as of the Record Date requesting them to exchange their share certificates at the offices of the CNQ Issuer's transfer agent.

2.5 If the stock split must be approved by the shareholders, the meeting of shareholders must take place at least seven trading days in advance of the record date.

2.6 The shares will commence quotation on the CNQ System on a split basis at the opening of business on the second trading day preceding the record date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the stock split and effective date of trading on a split basis.

2.7 If the push-out method is to be used, the following documents must be posted and filed with CNQ at least three trading days in advance of the Record Date:

- (a) a press release announcing the stock split;
- (b) written confirmation of the Record Date, which is deemed to be after the close of the CNQ System on that day;
- (c) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional shares will be validly issued as fully paid and non-assessable;
- (d) if the stock split is accompanied by a share reclassification, definitive specimens of the new share certificates;
- (e) confirmation of notification of the CNQ Issuer to the Ontario Securities Commission and the Clearing Corporation of the stock split; and
- (f) a copy of the Certificate of Amendment, or equivalent document.

The CNQ Issuer must also post a written statement as to the date the additional share certificates were mailed to the shareholders.

2.8 Where the call-in method is to be used, the following additional documents must be posted and filed with CNQ:

- (a) a copy of the Letters of Transmittal;
- (b) a definitive specimen of the new share certificates; and
- (c) confirmation from the registrar and transfer agent that it is in a position to effect transfer of the new share certificates giving effect to the stock split.

The CNQ Issuer must also post a written statement as to the mailing date of the Letters of Transmittal.

**3. Stock Consolidation**

3.1 The name of a CNQ Issuer must be changed as part of a share consolidation. The CNQ Issuer must obtain new share certificates and a new CUSIP number for the consolidated shares, subject to the Clearing Corporation advising the CNQ Issuer in response to its application that a new CUSIP number for the consolidated shares is not required.

3.2 CNQ Issuers may not effect a share consolidation which reduces the number of issued and outstanding shares of the CNQ Issuer, without giving effect to any other distribution or transaction, to less than 1,000,000 shares or if the share consolidation is effected in connection with another distribution or transaction, to less than 500,000 shares, prior to giving effect to the distribution or transaction. CNQ Issuers shall not effect a share consolidation which reduces the number of public holders (as that term is defined in Policy 2) holding at least a board lot to less than 100, prior to giving effect to any other distribution or transaction. In the case of a share consolidation in connection with a fundamental change, the number of shares and public holders of at least a board lot may not be reduced below the minimum required for eligibility for quotation for a new Issuer.

3.3 The following documents must be posted at least three trading days in advance of the Record Date:

- (a) a press release announcing the stock consolidation;
- (b) a completed Form 12;
- (c) written confirmation of the Record Date (if applicable);
- (d) a copy of the Letters of Transmittal;

(e) a certified copy of the shareholder resolution authorizing the stock consolidation;

(f) an opinion of counsel that all the necessary steps have been taken to validly effect the consolidation in accordance with applicable law;

(g) a definitive specimen of the new share certificates;

(h) confirmation from the registrar and transfer agent that it is in a position to effect transfers of the consolidated shares; and

(i) confirmation of notification by the CNQ Issuer to the Commission and the Clearing Corporation of the share consolidation.

3.4 The CNQ Issuer must post on the CNQ.ca website:

(a) a copy of the Certificate of Amendment, or equivalent document giving effect to the stock consolidation; and

(b) a written statement as to the date of the mailing of the Letters of Transmittal.

3.5 The shares will commence quotation on the CNQ System on a consolidated basis on the second trading day preceding the Record Date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the share consolidation and effective date of trading on the consolidated basis.

**4. Share Reclassification (with no Stock Split)**

4.1 The following documentation must be posted in connection with a share reclassification not involving a stock split, a reclassification into more than one class of shares or other change to the CNQ Issuer's capital structure, in which case the CNQ Issuer must consult with CNQ in order to determine the appropriate procedure and CNQ Requirements:

(a) a press release announcing the reclassification;

(b) a completed Form 12;

(c) a written confirmation of the record date;

(d) a certified copy of the shareholders resolution approving the reclassification;

(e) an opinion of counsel that all the necessary steps have been taken to

**POLICY 10**

**SCHEDULE OF FEES**

- validly effect the share reclassification in accordance with applicable law;
- (f) a definitive specimen(s) of the new or over-printed share certificate(s);
- (g) a copy of the Letters of Transmittal, if applicable;
- (h) confirmation from the registrar and transfer agent that it is in a position to effect transfers in the reclassified shares; and
- (i) confirmation and notification by the CNQ Issuer to the Commission and the Clearing Corporation of the share reclassification.

**Issuers**

Additional Listing	No Fee
Initial Fee	\$10,000 <sup>(1)</sup>
<i>Non-Refundable</i>	<i>\$2000</i>
Monthly Fee	\$300
Fundamental Change	\$10,000
Reactivation Fee	\$500

**Dealers**

Initial Set-Up Fee	\$2500
Monthly Access Fee	\$1250
Trading Fees	The sum of \$0.05 per 1,000 shares plus \$4.00 per \$1,000 value, payable per trade by each side.

4.2 The CNQ Issuer must also post:

- (a) a copy of the Certificate of Amendment, or equivalent document; and
- (b) a written statement as to the date of the mailing of the Letters of Transmittal, if applicable;

<sup>(1)</sup> The initial fee \$10,000 shall be reduced to \$8,000 for application for quotation made prior to issuance of the order recognizing CNQ as a quotation and trade reporting system.

4.3 The reclassification will normally become effective for quotation purposes on the CNQ System two trading days preceding the Record Date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the share reclassification and effective date of trading on the reclassified basis.

4.4 If the reclassification involves the issuance of restricted shares, the company must comply with OSC Rule 56-501 in addition to this Policy.