

POLICY 6

DISTRIBUTIONS

1. General

- 1.1 CNSX issuers must comply with the requirements of this Policy for any distribution of listed securities or any distribution of a security that is exchangeable, exercisable or convertible into a listed security. The specific requirements that apply depend on the nature of the agreement giving rise to the distribution.
- 1.2 The CNSX 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. CNSX 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 CNSX 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 CNSX 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, CNSX Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, CNSX Issuers should refer to National Instrument 45-101 for rights offerings, National Instrument 45-106 for exempt distributions 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 CNSX Issuer must comply with Policy 5 in addition to the requirements of this Policy.

2. Private Placements

- 2.1 CNSX defines the term “private placement” as a prospectus exempt distribution of securities for cash or in consideration for forgiveness of bona fide debt. CNSX 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 CNSX 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:

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 listed security, please refer to section 7 in addition to this section.
- 2.4 A CNSX 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 CNSX. The price protection will expire if the private placement has not closed within 45 days of the day on which notice is given to CNSX.
- 2.5 A CNSX Issuer that has agreed to do a private placement must immediately post notice of the proposed private placement (Form 9) on the CNSX.CA website.
- 2.6 At least one full Business Day prior to closing of the proposed private placement the CNSX Issuer must post an amended Form 9, if applicable
- 2.7 Forthwith upon closing, the CNSX Issuer must post the following documents:
- (a) a letter of CNSX Issuer confirming receipt of proceeds; and

- (b) an executed Certificate of Compliance (Form 6) from the CNSX Issuer that it has complied and is in compliance with Ontario securities law and CNSX Requirements.
- 2.8 In addition, forthwith upon closing, the CNSX Issuer must provide CNSX with an opinion of counsel that 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.

3. Acquisitions

- 3.1 Where a CNSX Issuer proposes to issue securities as full or partial consideration for assets (including securities), the CNSX 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 CNSX upon request. Shares must be issued at a price that does not exceed the maximum discount allowable under section 2.1.

- (a) 3.2 At least one full Business Day prior to closing of the proposed acquisition the CNSX Issuer must post an amended Form 9, if applicable.

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

- (a) a letter from the CNSX 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 executed Certificate of Compliance (Form 6) from the CNSX Issuer that it has complied and is in compliance with Ontario securities law.

- 3.4 In addition, forthwith upon closing, the CNSX Issuer must provide CNSX with an opinion of counsel that the securities issued in connection with the acquisition (including any underlying securities, if applicable) have been or will be duly issued and are or will be outstanding as fully paid and non-assessable shares.

4. Prospectus Offerings

- 4.1 A CNSX Issuer proposing to issue securities pursuant to a prospectus must disseminate a press release and file notice of the proposed prospectus offering (Form 8) forthwith upon filing the preliminary prospectus or earlier for a bought deal.

- 4.2 The CNSX 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 CNSX Issuer may post any other information or documentation relating to the proposed prospectus offering otherwise in compliance with Ontario securities law that the CNSX 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 CNSX Issuer must post the following documents:
- (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); and
 - (d) an executed Certificate of Compliance (Form 6) from the CNSX Issuer that it has complied and is in compliance with Ontario securities law and CNSX Requirements.
- 4.4 In addition, forthwith upon closing, the CNSX Issuer must provide CNSX with an opinion of counsel that the securities issued in connection with the offering (including any underlying securities, if applicable) have been or will be duly issued and are or will be outstanding as fully paid and non-assessable shares.

5. Incentive Stock Options

- 5.1 This section sets out CNSX'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 CNSX Issuers.
- 5.2 A CNSX 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 CNSX Requirements, a CNSX Issuer must comply with the provisions of Multilateral Instrument 45-503 Trades to Employees, Senior Officers, Directors and Consultants and any successor instrument. For clarity a CNSX Issuer is or is deemed to be a non-listed issuer for purposes of Multilateral Instrument 45-105.
- 5.4 A CNSX Issuer must post the notice of stock option grant or amendment (Form 11) immediately following each grant of stock options by the CNSX Issuer.
- 5.5 In addition, upon the first grant of options under a plan, the CNSX Issuer must provide CNSX with an opinion of counsel that all the securities issuable under the plan will be duly issued and be outstanding as fully paid and non-assessable shares. For options granted outside of a plan, the opinion must be provided with each grant of options.
- 5.6 The terms of an option may not be amended once issued. If an option is cancelled prior to its expiry date, the CNSX 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 CNSX Issuer completing a rights offering must do the following at least five 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 CNSX 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; and

- (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

6.2 In addition, prior to the record date, the CNSX Issuer must provide CNSX with an opinion of counsel that the securities issued in connection with the rights offering (including any underlying securities, if applicable) will be duly issued and outstanding as fully paid and non-assessable shares.

Listing of Rights on CNSX

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

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

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

Other Requirements Respecting Rights

6.6 Rights must be transferable.

6.7 (a) Once the rights have been listed on the CNSX 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

- 6.8 As soon as possible after the expiry of the rights offering, the CNSX 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 the results of the rights offering and confirming the closing of the offering.

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

7.1.1 Issue Price

Listed 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 listed security on the CNSX 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 CNSX 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.

7.1.2 Term

The maximum term permitted for warrants is 5 years from the date of issuance.

- 7.2 If convertible securities are issued in connection with a private placement of the listed securities, the total number of listed securities issuable under the terms of the convertible securities cannot be greater than the number of listed securities initially purchased in the private placement.

- 7.3 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.

7.4 Amendments

Except as provided for in this Policy 7.4, CNSX 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.”

7.4.1 An Issuer may amend the terms of private placement warrants (not including warrants issued to an Agent as compensation) if:

- a) The warrants are not listed for trading;
- b) The exercise price is higher than the current market price of the underlying security;
- c) No warrants have been exercised in the last six months; and
- d) At least 10 trading days remain before the expiry date.

7.4.2 The amendment of warrant terms must be disclosed in a press release no later than one day prior to the effective date of the amendment, and a notice posted to the CNSX website immediately thereafter (Form 13 – Notice of Amendment to Warrant Terms). For any amendment, the press release must disclose the old warrant term and the new warrant term so that investors can fully understand the change.

7.4.3 Warrant Extension

The term of a warrant may not be extended more than 5 years from the date of issuance.

7.4.4 Warrant Repricing

An Issuer may amend the exercise price of warrants if:

- a) The warrants were priced above the market price of the underlying security at the time of issuance and the amended price is also at or above that price;
- b) The amended price is at or above the average closing price, or the midpoint between the closing bid and ask on days with no trades, of the underlying shares for the most recent 20 trading days;
- c) The price has not previously been amended; and,
- d) The amended exercise price is higher than the exercise price at the time of issuance and all Warrant holders consent to the amended price.

7.4.5 An Issuer may amend the exercise price to a price below the market price of the underlying security at the time of issuance provided that:

- a) If, following the amendment, for any 10 consecutive trading days the closing price of the listed shares exceeds the amended exercise price by the applicable private placement discount, the terms of the warrants must also be amended to 30 days. The amended term must be announced by press release and Form 13 and the 30 day period will commence 7 days from the end of the 10 day period;

- b) Consent is obtained from all holders of the warrants; and
- c) The price has not previously been amended

7.4.6 For any repricing of warrants permitted by this section 7.4, a maximum of 10% of the total number of warrants being repriced may be repriced for insiders holding warrants. If insiders hold more than 10%, then the 10% allowed will be allocated *pro rata* among those insiders.

7.5 CNSX Issuers must obtain appropriate corporate approvals prior to any change, modification or amendment of outstanding warrants or other convertible securities (including non-listed securities). The amendment of the terms of a warrant (or other security) may be considered to be the distribution of a new security under securities laws and required exemptions from legislative requirements. Furthermore, the amendment of the terms of a security held by an insider or a related party may be considered to be a related party transaction under OSC Rule 61-501 and require exemptions from provisions of that rule. Issuers should consult legal counsel before amending the terms of a security.

8. Control Block Distributions

8.1 A control block holder wishing to distribute securities of a CNSX Issuer through a CNSX Dealer and the CNSX System shall post on the CNSX Issuer's Insider frame on the CNSX.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 CNSX Issuer shall be responsible for ensuring the control block holder complies with the provisions of this Policy, failing which the CNSX or the Market Regulator may halt, suspend or disqualify the securities of the CNSX Issuer from listing.

8.3 In this section, "control block holder" does not include a holder that sells under the provisions of National Instrument 62-101.