



CANADIAN NATIONAL STOCK EXCHANGE

President's Message

We see the light at the end of the tunnel and we know it's not an oncoming train! May saw a revival of interest in trading of CNSX listed stocks. It was our best month so far in 2009, with a large rebound in volume, value and the number of trades. As in other markets, we're still off from previous highs, but it's yet another encouraging sign that better times are ahead for all.

We've been buoyed recently by another upswing in listing activity. This is across the board – three recent IPO's, plus listed companies switching CNSX from TSX and unlisted companies stepping up to list on a visible stock exchange market. June is shaping up well with three companies listing in the first three days of the month.

The securities industry regulator IIROC has issued a rule proposal restricting trading in US OTC stocks. This follows last year's more extensive initiative in B.C. (BCSC Rule 51-509) and is intended to ensure that Canadian investment dealers are not unwitting participants in dubious deals that have typically been perpetrated south of the border in over-the-counter markets. **An article has been published** on our sister website [GoPublicInCanada.com](http://www.gopublicincanada.com) about the new rule. To view the article go to: <http://www.gopublicincanada.com/law-matters-law-accounting-matters-june-2009.html>

On June 22 we will be hosting a very informative webcast for officers and directors of public companies about the effects of the replacement of Canadian GAAP with **International Financial Reporting Standards** (IFRS). This is a revolutionary change in accounting methods and procedures that will have wide ranging effects on the balance sheets and income statements of all public companies. The changes will be implemented over a three year period – they've actually begun already – and for some will be extensive (possibly expensive) while others will see less of an impact.

CFO's and auditors are certainly geared up already. We're aiming our presentation, delivered by accounting professionals, at all other officers and directors so that they appreciate the challenges, costs and timing of the new standards. Watch our website www.cnsx.ca for more information.

CNSX Listings

New Listing - Cancor Mines Inc.

SYMBOL: KCR

Listing Date: Friday, May 8, 2009

Activity: Cancor is a Canadian mining exploration company engaged in the exploration and development of gold and base metal properties. The principal properties of the Company in Canada are the Gemini-Turgeon, Kistabiche and Allard properties, all of which are located in the northwest of Quebec. The properties of the Cancor in south Algeria are the In Ouzzal North, Tan Chaffao West, Tan Chaffao East and Tirek North properties

Outstanding Shares: 47.5 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada



Robert Cook
President

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CNSX Listings Cont'd

New Listing - ESI Entertainment Systems Inc.

SYMBOL: ESY

Listing Date: May 11, 2009

Activity: ESI is a provider of products and services to the international land-based gaming industry and on-line e-commerce organizations. As the land-based gaming industry and on-line commerce continues to evolve, merchants, regulators, and consumers want to ensure that transactions are carried out in a secure and efficient manner. Through its three principal subsidiaries: Citadel Commerce Corp., ESI Integrity Inc., and PlayLine Inc., ESI provides solutions to meet these objectives.

Outstanding Shares: 14.2 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada

New Listing - Regal Resources Inc.

SYMBOL: RGR

Listing Date: May 11, 2009

Activity: Regal Resources is engaged in the business of acquiring and exploring mineral exploration properties. The Company has an option to acquire a 100% undivided interest in the Cornucopia property, which consists of one mineral exploration claim located in the Victoria Mining Division of British Columbia.

Outstanding Shares: 4.5 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada

New Listing - Acorn Income Corp.

SYMBOL: ACI

Listing Date: May 26, 2009

Activity: Acorn Income is a financial corporation headquartered in Ottawa, Ontario with offices in Toronto, Vancouver, Southern Ontario and British Columbia and referral sources from coast to coast. The Company offers financial solutions, particularly working capital financing solutions, to business-to-business Canadian companies when other financing alternatives are unavailable.

Outstanding Shares: 1.9 Million Common Shares

Transfer Agent: Olympia Transfer Services Inc.

Name Change/Consolidation - Bison Gold Exploration Inc.

Bison Gold Exploration Inc. announced a name change to Bison Gold Resources Inc. and the consolidation of its common shares on the basis of one (1) new post-consolidation common share for each three (3) pre-consolidation common shares.

Bison Gold Resources Inc. will continue to trade under the symbol "BGE".

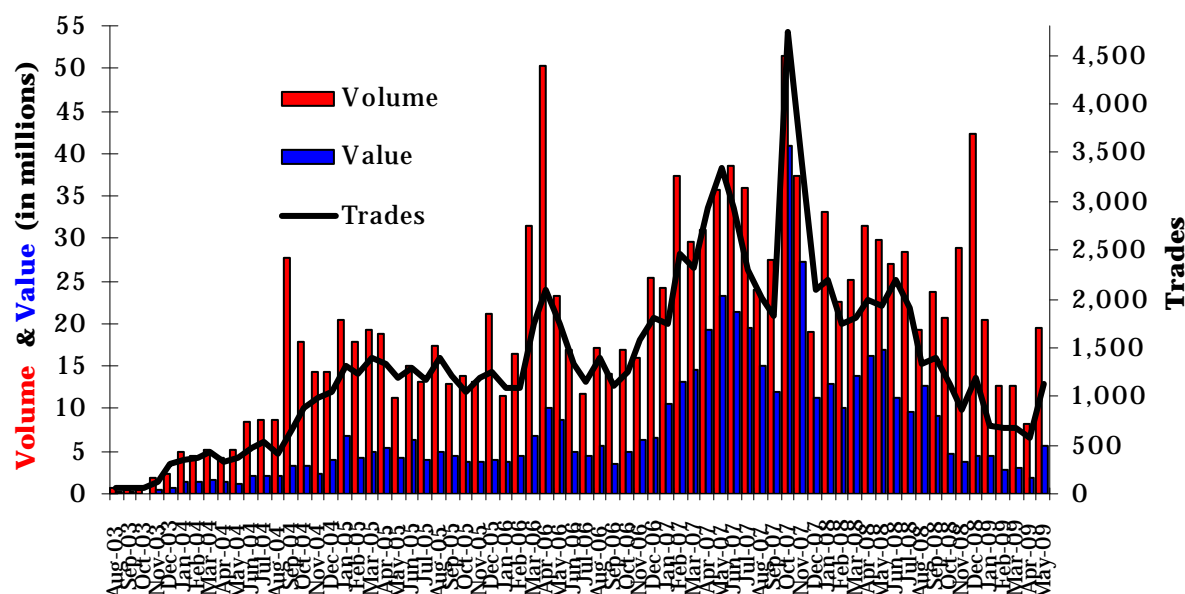
Effective Date: May 11th, 2009

To become a CNSX listed company, contact:
Radhika Ramkarran,
Senior Listings
Coordinator
416-572-2000
ext. 2435
Radhika@cnsx.ca

Total Market Activity May 2009

Total Volume Traded.....	19,464,646	Avg Volume per Trade.....	17,225
Value Traded.....	\$5,598,933	Avg Value per Trade.....	\$4,955
Total Trades.....	1,130	Avg Price per Share.....	\$0.29

CNSX Trading Activity Through May 2009



Visit:
www.cnsx.ca

Market Data

Data Vendors authorised to distribute real-time market data for CNSX appear below. For more information on Market Data please visit the CNSX service directory page at www.cnsx.ca. Delayed quotes and market activity summaries are also provided on www.cnsx.ca

<u>CNSX Data Vendor</u>	<u>Contact Tel.</u>	<u>Website URL</u>
Alpha Trade	604-681-7503	www.alphatrade.com
Bloomberg	212-617-2000	www.bloomberg.com
Belzberg	416-360-1812	www.belzberg.com
Canjex Publishing (Stockwatch)	604-687-1500	www.stockwatch.com
IRESS Canada	416-907-9221	www.iress.ca
PC Quote Canada	416-214-5700	www.pcquote.ca
QuoteMedia, Inc.	877-311-9911 Ext 0	www.quotemedia.com
Reuters – U.S.	800-738-8377	www.reuters.com
Reuters – Canada	416-941-8000	www.reuters.com
Telekurs	203-353-8100	www.tkusa.com
Thomson Financial	416-956-1077	www.thomson.com

Trading Activity

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Aerocast Inc.	A	159,500	26,395	16	0.23	0.135	0.205
Airesurf Ntwrks Hldngs Inc.	ANH	1,113,000	33,390	4	0.03	0.03	0.03
Alliance Mining Corp.	ALM	16,000	560	1	0.035	0.035	0.035
American Insulock Inc.	INS.U	128,000	2,420	2	0.025	0.015	0.015
Arris Resources Inc.	AAS	1,500	195	1	0.13	0.13	0.13
Ateba Resources Inc.	ATR	11,918	568	10	0.06	0.05	0.06
Biosign Technologies Inc.	BIO	332,500	43,635	17	0.15	0.11	0.15
Cadillac Ventures Inc.	CDC	14,162	5,795	4	0.43	0.4	0.43
Canadian Intl. Minerals Inc.	CIN	45,000	2,250	1	0.05	0.05	0.05
Cayenne Gold Mines Ltd.	CYN	500	50	1	0.1	0.1	0.1
CB Resources Ltd.	ICD	12,000	180	1	0.015	0.015	0.015
Chai Cha Na Mining Inc.	CNN	60,000	13,100	5	0.26	0.18	0.18
Chava Resources Ltd.	CHA	500	125	1	0.25	0.25	0.25
CIC Mining Resources Ltd.	RRR	454,878	40,281	16	0.15	0.045	0.055
Colt Resources Inc.	GTP	315,500	46,610	12	0.25	0.07	0.07
Continent Resources Inc.	CTT	2,975,390	1,167,476	262	0.65	0.115	0.63
Copper Reef Mining Corp.	CZC	27,000	1,175	3	0.05	0.025	0.025
Cougar Minerals Corp.	COU	502,000	24,295	19	0.065	0.04	0.05
Covenant Resources Ltd	CVA	452,000	31,005	14	0.09	0.065	0.065
Cuervo Resources Inc.	FE	1,275,500	663,130	104	0.63	0.4	0.52
Dynamic Resources Corp.	DYR	469,435	22,173	25	0.06	0.03	0.045
Eurogas International Inc.	EI	352,429	35,790	25	0.15	0.06	0.1
Excalibur Resources Ltd.	XBR	50,000	500	1	0.01	0.01	0.01
First Choice Products Inc.	FCI	3,500	345	3	0.11	0.07	0.11
Fort Chimo Minerals Inc.	FCM	252,734	9,073	5	0.04	0.03	0.04
Gamecorp Ltd.	GGG	10,656	806	9	0.08	0.08	0.08
Glenbriar Technologies Inc.	GTI	51,000	2,290	3	0.05	0.04	0.04
Golden Cross Resources Inc.	GOX	12,000	1,200	1	0.1	0.1	0.1
Great Bear Uranium Corp.	GBR	55,000	1,100	1	0.02	0.02	0.02
HiHo Silver Resources Inc.	HHS	793,050	32,222	7	0.045	0.04	0.045
Hy Lake Gold Inc.	HYL	48,000	4,505	5	0.095	0.08	0.095
Kokomo Enterprise	KKO	502	50	2	0.1	0.1	0.1
La Imperial Resources Inc.	LAI	100,000	750	3	0.01	0.005	0.005
Mantis Minerals Corp.	MYN	1,278,850	97,135	63	0.15	0.03	0.07
MB Bld Bnds 3 yr AF 3.5%	BJA.DB.A	25,000	25,000	1			
MB Bldr X Jun 15/13 AF 2.4%	BJF.DB	30,000	30,000	1	100	100	100
MB Bldr Bnds IX - 5yr AF	BIA.DB.B	51,400	51,400	2	100	100	100
MB Bldr Bnds VIII - 5yr AF	BHA.DB	588,000	588,100	12	100.05	100	100
MB Hydro Bnds 10 - 3yr AF	HJA.DB.A	501,900	511,938	7	102	102	102
MB Hydro Bnds 9 - 3yr AF	HIA.DB.A	205,000	205,000	2	100	100	100
Micromem Technologies Inc.	MRM	35,050	45,180	12	1.52	1.2	1.52
Nexia Biotechnologies Ltd.	NBL	86,975	1,464	17	0.025	0.01	0.01
ONA Energy Inc.	OEE	313,700	67,052	21	0.29	0.155	0.18
Orca Power Corp.	OP	38,000	1,440	3	0.045	0.03	0.03
Otterburn Ventures Inc.	OTB	75,000	3,900	3	0.055	0.05	0.055
Petrol One Corp.	POV	547,847	107,902	33	0.25	0.115	0.24
PetroWorth Resources Inc.	PTW	984,300	192,545	35	0.25	0.13	0.21
Plaintree Systems Inc.	NPT	5,802	1,088	12	0.22	0.2	0.2
Platoro West Holdings Inc.	PWH	59,000	2,065	3	0.035	0.035	0.035
Preo Software Inc.	PKM	13,000	1,300	1	0.1	0.1	0.1

For information on each company listed on CNSX please visit the Listings Disclosure Hall, which can be found from our home page at www.cnsx.ca

Trading Activity Cont'd

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Quinsam Capital Corporation	QCA	45,500	902	4	0.02	0.02	0.02
Range Gold Corp.	RGU	96,000	10,300	5	0.15	0.09	0.15
Range Metals Inc.	RGO	210,000	44,950	17	0.25	0.15	0.25
Redzone Resources Ltd.	REZ	569,000	109,530	22	0.54	0.16	0.45
Regal Resources Inc.	RGR	10,000	1,000	1	0.1	0.1	0.1
RX Exploration	RXE	322,000	114,645	53	0.47	0.25	0.36
Stealth Energy Inc	SLH	504,000	49,440	27	0.11	0.09	0.09
Thunderbird Resorts Inc.	TBI.U	67,082	102,037	19	1.7	1.3	1.3
Toro Resources Corp.	TRK	685,500	27,405	6	0.04	0.04	0.04
Trevali Resources Corp.	TV	521,586	538,646	117	1.27	0.82	1.04
Triple Dragon Resources Inc.	TDN	152,000	35,115	14	0.28	0.205	0.245
TrustMark Auto Group Inc.	TAF	20,000	1,000	1	0.05	0.05	0.05
Valterra Resource Corp.	VTA	259,000	22,675	15	0.09	0.085	0.09
Veraz Petroleum Ltd.	VRZ	1,069,000	377,420	17	0.44	0.35	0.4

Most Active by Volume

Stock	Symbol	Volume	Value	Trades	High	Low	Close
Continent Resources Inc.	CTT	2,975,390	1,167,476	262	0.65	0.115	0.63
Mantis Minerals Corp.	MYN	1,278,850	97,135	63	0.15	0.03	0.07
Cuervo Resources Inc.	FE	1,275,500	663,130	104	0.63	0.4	0.52
Airesurf Networks Holdings Inc.	ANH	1,113,000	33,390	4	0.03	0.03	0.03
Veraz Petroleum Ltd.	VRZ	1,069,000	377,420	17	0.44	0.35	0.4
PetroWorth Resources Inc.	PTW	984,300	192,545	35	0.25	0.13	0.21
HiHo Silver Resources Inc.	HHS	793,050	32,222	7	0.045	0.04	0.045
Toro Resources Corp.	TRK	685,500	27,405	6	0.04	0.04	0.04
MB Bldr Bnds VIII - 5yr AF	BHA.DB	588,000	588,100	12	100.05	100	100
Redzone Resources Ltd.	REZ	569,000	109,530	22	0.54	0.16	0.45

Most Active by Value

Stock	Symbol	Volume	Value	Trades	High	Low	Close
Continent Resources Inc.	CTT	2,975,390	1,167,476	262	0.65	0.115	0.63
Cuervo Resources Inc.	FE	1,275,500	663,130	104	0.63	0.4	0.52
MB Bldr Bnds VIII - 5yr AF	BHA.DB	588,000	588,100	12	100.05	100	100
Trevali Resources Corp.	TV	521,586	538,646	117	1.27	0.82	1.04
MB Hydro Bnds 10 - 3yr AF	HJA.DB.A	501,900	511,938	7	102	102	102
Veraz Petroleum Ltd.	VRZ	1,069,000	377,420	17	0.44	0.35	0.4
MB Hydro Bnds 9 - 3yr AF	HIA.DB.A	205,000	205,000	2	100	100	100
PetroWorth Resources Inc.	PTW	984,300	192,545	35	0.25	0.13	0.21
RX Exploration	RXE	322,000	114,645	53	0.47	0.25	0.36
Redzone Resources Ltd.	REZ	569,000	109,530	22	0.54	0.16	0.45

Financings Completed

Company	Symbol	Amount Raised	Date
Regal Resources Inc. (IPO)	RGR	\$300,000	May 8/09
Trevali Resources Corp.	TV	\$1,743,400	May 11/09
Micromem Technologies Inc.	MRM	USD \$375,000	May 15/09
Micromem Technologies Inc.	MRM	USD \$388,980	May 15/09
Arctic Hunter Uranium Inc.	AHU	\$350,000	May 20/09
Valterra Resource Corporation	VTA	\$1,450,000	May 21/09
Alliance Mining Corp.	ALM	\$70,000	May 27/09
Silver Phoenix Resources Inc. (IPO)	SP	\$1,114,880	Apr. 06/09
Micromem Technologies Inc.	MRM	\$1,000,000	Apr. 9/09
Micromem Technologies Inc.	MRM	\$150,000	Apr. 17/09
Arris Resources Inc.	AAS	\$250,000	Apr. 21/09
Stealth Energy Inc.	SLH	\$1,500,000	Apr. 21/09
Cougar Minerals Corp.	COU	\$700,000	Apr. 23/09
Chava Resources Ltd.	CHA	\$100,000	Apr. 24/09
Wedge Energy International Inc.	WEG	\$120,000	Apr. 30/09
Alliance Mining Corp.	ALM	\$100,000	Mar. 4/09
RX Exploration Inc.	RXE	\$1,970,000	Mar. 9/09
Range Gold Corp.	RGU	\$125,000	Mar. 31/09
PetroWorth Resources Inc.	PTW	\$2,460,000	Mar. 31/09

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CNSX Listings Cont'd from page 2

Delist - Cadillac Ventures Inc.

At the request of the company, Cadillac Ventures Inc. was delisted at the close of business Monday, May 11, 2009.

Pure Trading

Without the addition of any new major participants to the Canadian market in the month of May, activity levels and market share among the incumbent exchange and rivals such as Pure Trading remained at approximately the same level as in the month of April. There were a few noteworthy events over the course of the month:

- CNSX Markets is participating, along with a number of other industry representatives, on a committee organized by the Canadian Securities Administrators to provide guidance to the regulators on the implementation of new rules governing trading on multiple markets. Among many issues being considered is the order book protection rule: we believe strongly that all visible orders (regardless of the number of ticks away from the best bid/offer) should be protected. The committee is in the process of submitting its interim report on possible issues with the CSA's original proposals; the regulators will now review industry's concerns and determine the timetable for any changes (along with a possible re-submission of rules for industry comment if changes are material). From our perspective, with the exception of minor changes to some of the proposed rules, the rules should be implemented as they were originally submitted by the CSA.
- Pure Trading is in the process of implementing technical changes required to support the "by pass" order type required by the Investment Industry Regulatory Organization of Canada ("IIROC"). We expect to have the new functionality available for external testing in mid-June, with a scheduled implementation date of July 17. The idea behind the order type is to permit dealers to provide required fills to visible orders when the dealer is attempting to put up a cross trade outside of the current bid/offer. Without the order type, a dealer's attempt to provide the fills could wind up, unintentionally, interacting with icebergs and other "hidden" order types.
- TSX had a significant technical outage during the afternoon of May 15. With the loss of both market data feeds (TL1: bid/offer, last sale and TL2: full depth), a number of dealers and marketplaces declared "self help" against the TSX. In other words, these dealers indicated that they would not take into account the TSX's services in managing their order flow during the "self help" period. Unlike the previous major outage at the TSX last December 17, we saw a major influx of order flow from a number of dealers. Clearly, some dealers are making headway in their ability to move order flow across a number of venues in the event of issues at the TSX. To facilitate the industry's efforts to handle technical issues, Pure Trading will be participating in two major business recovery exercises in the coming year: November will see a DRP exercise coordinated by the TMX and early next year should see a full industry-wide test coordinated by IIROC. Further details are forthcoming.

Contacts:

Ian Bandeen
Vice-Chairman
ian@puretrading.ca
416-572-2000 x2265

Robert Cook
President
robert.cook@puretrading.ca
416-572-2000 x2470

Richard Carleton
Vice President Corporate
Development
richard.carleton@puretrading.ca
416-572-2000 x2326

Lida Preyma
Director, Business
Development & Marketing
lida@puretrading.ca
416-572-2000 x2285

For the month, the top 20 stocks trading on Pure were:

Company	Stock	Volume	MK Share
BREAKWATER RESOURCES LTD.	BWR	12,728,500	2.87%
BOMBARDIER INC. CL B, SV	BBD.B	9,343,100	4.30%
LUNDIN MINING CORPORATION	LUN	9,077,700	3.06%
REDCORP VENTURES J	RDV	6,395,000	3.45%
URANIUM ONE INC.	UUU	5,723,000	2.21%
DENISON MINES CORP.	DML	5,110,900	3.56%
CONNACHER OIL & GAS LIMITED	CLL	4,125,400	4.19%
OPTI CANADA INC.	OPC	3,852,600	1.28%
MERCATOR MINERALS LTD.	ML	3,646,400	2.56%
UTS ENERGY CORPORATION	UTS	3,391,500	4.70%
EQUINOX MINERALS LIMITED	EQN	3,058,600	2.87%
CONNACHER OIL & GAS LIMITED, 4.75%	CLL.DB.A	2,534,000	12.07%
AZURE DYNAMICS CORP.	AZD	2,383,000	5.40%
YAMANA GOLD INC.	YRI	2,201,487	1.55%
HIGH RIVER GOLD MINES LTD.	HRG	2,128,000	4.36%
CAPSTONE MINING CORP.	CS	2,098,400	3.43%
GREAT BASIN GOLD LTD.	GBG	2,061,900	3.30%
NEW GOLD INC.	NGD	2,033,300	3.23%
VAALDIAM RESOURCES LTD.	VAA	1,882,000	3.06%
TRINIDAD DRILLING LTD. 7.75 DEBS	TDG.DB	1,869,000	18.33%

Pure Trading Cont'd

Those dealers interested in the convertible debenture market should take a close look at recent developments on Pure Trading. As a result of the efforts of a new market participant, Pure Trading is providing an important source of liquidity in more than 50 instruments a day. In many cases, the activity on Pure Trading represents more than 75% of the daily turnover. We expect this market to grow in the coming months.

Finally, we welcomed two new dealers to CNSX Markets during the month of May: Edward Jones Canada (under Broker #56) and Jones Trading Canada Inc. (under Broker #91). This brings us to 83 participating dealers on Pure Trading!

Events

June 7th & 8th

CNSX Markets Inc. will be at the NEW Vancouver Convention Centre for Cambridge House, World Resource Investment Conference. For more details please visit www.cambridgehouse.ca
Conference is FREE if you Pre-REGISTER NOW (\$25 door charge if you are not registered)

June 9th 11th

Join the CNSX team at the Stampede Park, Calgary, Alberta for the Go Expo Oil and Gas Exposition. For more details on this event please visit www.petroleumshow.com/goexpo

June 15th

CNSX will be a sponsor at the SEPAC Investment Forum at The Westin Calgary. For more information, please visit www.sepac.ca/events

June 22nd

CNSX will be hosting a webcast seminar: IFRS an Executive Overview. Watch for more information on www.cnsx.ca

New CNSX Dealers

Jones Trading Canada Inc. (Trading number 091)

Jones Trading Canada Inc. provides the following services:

- Institutional Trading
- Equity Trading
- Fixed Income Trading

Jones Trading Canada Inc. is located at:

148 Yorkville Avenue
Toronto, ON M5R 1C2
www.jonestrading.com

Edward Jones (Trading number 056)

Edward Jones provides the following services:

- Retail & Full Service Brokerage

Edward Jones is located at:

Suite 90, 90 Burnamthorpe Road West
Mississauga, ON, L5B 3C3
Phone: (905) 306-8575
www.edwardjones.com

CNSX Dealers

- ❖ Acker Finley Inc.
- ❖ Barclays Corporation Limited.
- ❖ BBS Securities Inc.
- ❖ Berkshire Securities
- ❖ Blackmont Capital Inc.
- ❖ Blackwatch Capital Corp.
- ❖ BMO Nesbitt Burns Inc.
- ❖ Bolder Investment Partners Ltd.
- ❖ Brant Securities Limited
- ❖ Brockhouse & Cooper
- ❖ Byron Securities Limited
- ❖ Caldwell Securities Ltd.
- ❖ CIBC World Markets Inc.
- ❖ Canaccord Capital Corporation
- ❖ Citigroup Global Markets Canada Inc.
- ❖ Clarus Securities
- ❖ Commission Direct Inc.
- ❖ Credit Suisse Securities
- ❖ D&D Securities Company
- ❖ Desjardins Securities
- ❖ Dundee Securities Corporation
- ❖ e3m Investments Inc.
- ❖ Edward Jones
- ❖ Fimat Canada Inc.
- ❖ First Energy Capital Corp.
- ❖ Gateway Securities Inc.
- ❖ Genuity Capital Markets
- ❖ Global Securities Corporation
- ❖ GMP Securities LP
- ❖ Goldman Sachs Canada Inc.
- ❖ Haywood Securities Inc.
- ❖ HSBC Securities (Canada) Inc.
- ❖ ITG Canada Corp.
- ❖ Independent Trading Group
- ❖ Infinium Capital Corp.
- ❖ Instinet Canada Ltd.
- ❖ Integral Wealth Securities Limited
- ❖ Interactive Brokers Canada Inc.
- ❖ International Advisory Services Group
- ❖ Jitney Group Inc.
- ❖ J.P. Morgan Securities Canada Inc.
- ❖ Jordan Capital Markets Inc.
- ❖ Jones, Gable & Company Limited
- ❖ Jones Trading Canada Inc.
- ❖ Leede Financial Markets Inc.
- ❖ Loewen Ondaatje McCutcheon Ltd.
- ❖ MF Global Canada Co.
- ❖ MGI Securities Inc
- ❖ MacDougall, MacDougall & MacTier Inc.
- ❖ Merrill Lynch Canada Inc.
- ❖ Morgan Stanley Canada Ltd.
- ❖ National Bank Financial
- ❖ Norstar Securities International Inc.
- ❖ Northern Securities Inc.
- ❖ Octagon Capital Corporation
- ❖ Odlum Brown Limited
- ❖ Orion Financial Corp.
- ❖ PI Financial Corp.
- ❖ Paradigm Capital Inc.
- ❖ Penson Financial Services Canada
- ❖ Peters & Co. Limited
- ❖ Pictet Canada LP
- ❖ Pollitt & Co. Inc.
- ❖ Qtrade Securities Inc.
- ❖ Questrade Inc.
- ❖ Raymond James Ltd.
- ❖ RBC Dominion Securities Inc.
- ❖ Research Capital Corporation
- ❖ Salman Partners Inc.
- ❖ Sandfire Securities Inc.
- ❖ Scotia Capital Inc.
- ❖ Scotia iTrade Corp.
- ❖ State Street Global Markets Canada Inc.
- ❖ Cormark Securities Inc.
- ❖ TD Securities Inc.
- ❖ Toll Cross Securities Inc.
- ❖ Tristone Capital
- ❖ UBS Securities Canada Inc.
- ❖ Union Securities Ltd.
- ❖ W.D. Latimer Co. Limited
- ❖ Wellington West Capital Markets Inc.
- ❖ Westwind Partners Inc.

For information on becoming a CNSX dealer contact:

Lida Preyma
Director, Business Development & Marketing
lida@puretrading.ca
416-572-2000 x2285

OR

Stefan Frirdich
Sr. Account Manager
Stefan.Frirdich@cnsx.ca
416-572-2000 x2357

Law & Accounting Matters

(a publication on www.GoPublicInCanada.com)

Changing Your Auditors Part I – The Legal Requirements¹

By Brian Koscak and Greg Hogan



As part of obtaining a public listing or subsequent to a public listing, an “**issuer**”¹ may determine that it is appropriate to change its current auditors. Making such a change is not a simple process, nor is it necessarily something that can be completed quickly. If an issuer is contemplating changing its auditor, it will need to address the requirements of its governing corporate statute and the requirements of any applicable securities laws (if the issuer is a “**reporting issuer**”³ at the time). In addition, the auditors will need to comply with the obligations imposed on them under their professional standards.

Circumstances Involving a Change of Auditor

While issuers and auditors may have a long working history together, there are circumstances where an issuer may need to change its auditors. These might include the following:

- i. **Circumstances when an issuer’s auditor is not registered with the Canadian Public Accountability Board (“CPAB”)** - under National Instrument 52-108 – *Auditor Oversight*, reporting issuers who file their financial statements with one or more Canadian securities regulators (the “**Regulators**”) are required to have auditors that participate in CPAB’s oversight program. An auditor must be registered with CPAB on the date that the auditor signs off on an audit report filed with the Regulators for an issuer;
- ii. **An issuer may decide to dual list its shares in the United States** - the rules of the Public Company Accounting Oversight Board (“**PCAOB**”) (CPAB’s counterpart in the United States) and the Sarbanes-Oxley Act require an auditor to be registered with the PCAOB to prepare or issue an audit report with respect to any issuer. Accordingly, a dual-listed issuer must engage an auditor that is both CPAB and PCAOB registered which may require a change of auditor;
- iii. **Following a reverse take-over or other business combination** – in these circumstances, more than one auditor may be involved. Issuers will have to make a choice as to which auditor best suits the needs of the resulting issuer going forward;
- iv. **The issuer’s business is evolving and/or growing** - as an issuer matures its business becomes more robust and complex. For example, issuers with operations in multiple countries with different tax jurisdictions require an auditor that can operate effectively in these locations;
- v. **Conflict of Interest** - The current auditor may have a conflict of interests or a loss of independence, thereby having to resign from the engagement; or
- vi. **Other Reasons** – an issuer may simply want to change its auditor because of its changing needs, relationships or for other business reasons.

¹Current as of May 20, 2009.

²An “**issuer**” means a person or company who has outstanding, issues or proposes to issue, a security.

³A “**reporting issuer**” in connection with the Province of Ontario includes, but is not limited to, an issuer: (a) that has filed a prospectus and for which a receipt has been obtained under the *Securities Act* (Ontario); and (b) any of whose securities have been listed and posted for trading on any stock exchange in Ontario recognized by the Ontario Securities Commission (which includes the CNSX), regardless of when such listing and posting for trading commenced.

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While it may be desirable, an issuer cannot simply change auditors at any time, at least not without the cooperation of the current auditor and subject to certain requirements under corporate and securities law.

Corporate Law

Under Ontario corporate law (other Canadian jurisdictions will be similar), a change of auditor can occur if an auditor: (a) resigns; (b) is removed by the shareholders; or (c) is not re-appointed for a subsequent financial year at the annual meeting of an issuer, each of which is discussed below.

Removal

The *Business Corporations Act (Ontario)* (the “**OBCA**”) provides that the shareholders of a corporation may remove an auditor before the expiration of the auditor’s term of office, by resolution passed by a majority of the votes cast at a special meeting of shareholders and shall by a majority of the votes cast at the meeting appoint a replacement for the remainder of the auditor’s term. The board of directors cannot simply remove the auditor.

Resignation

An issuer’s board could instead request the resignation of the auditor. Should the auditor agree to resign, the OBCA provides that its resignation is effective as of the time specified in the resignation or when the resignation is received by the corporation, whichever is later.

The OBCA provides that the directors may fill any casual vacancy in the office of auditor. Case law defines a casual vacancy as any vacancy not resulting from an expiration of time. As such, any vacancy occurring by death, resignation or bankruptcy is considered a casual vacancy. Therefore, in the event that the auditor resigns prior to the expiration of its appointed term, the directors of an issuer may appoint a new auditor.

Appointment

Under the OBCA, a successor auditor may not accept its appointment as auditor unless it has requested and received from the former auditor a written statement of the circumstances and the reasons why, in the former auditor’s opinion, that auditor is to be replaced. A person otherwise qualified to be an auditor may accept the appointment or consent to be appointed as auditor of a corporation if, within fifteen days after making the request referred to in that subsection, the person does not receive a reply.

Securities Law

If the issuer is a reporting issuer, a termination (which includes the issuer not re-appointing the auditor) or resignation of an issuer’s auditor and the subsequent appointment of a new auditor requires the issuer and the auditor to carry out certain actions, make certain disclosure and prepare certain documents.⁴

These are summarized below and are set out in Section 4.11 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”).

⁴The authors note that there are exemptions from the change of auditor requirements under NI 51-102 but which are outside the scope of this article.

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Termination or Resignation

Upon a termination or resignation of its auditor, a reporting issuer must within 10 days after the date of termination or resignation:

- i. prepare a “change of auditor notice” (see below) and deliver a copy of it to the former auditor; and
- ii. request the former auditor to review the reporting issuer's change of auditor notice and prepare a letter, addressed to the Regulators and delivered to the reporting issuer within 20 days of the termination or resignation stating, for each statement in the change of auditor notice, whether the auditor (1) agrees, (2) disagrees, and the reasons why, or (3) has no basis to agree or disagree.

A reporting issuer must within 30 days after the date of termination or resignation:

- i. have the audit committee of its board of directors or its board of directors review the letter from the former auditor referred to above if received by the reporting issuer, and approve the change of auditor notice;
- ii. file a copy of the “reporting package” with the Regulators;
- iii. deliver a copy of the reporting package to the former auditor; and
- iv. if there are any reportable events, issue and file a news release describing the information in the reporting package.

Appointment of Successor Auditor

Upon an appointment of a successor auditor, a reporting issuer must within 10 days after the date of appointment:

- i. prepare a change of auditor notice and deliver it to the successor auditor and to the former auditor;
- ii. request the successor auditor to review the reporting issuer's change of auditor notice and prepare a letter addressed to the Regulators and delivered to the reporting issuer within 20 days of the termination or resignation stating, for each statement in the change of auditor notice, whether the auditor (1) agrees, (2) disagrees, and the reasons why, or (3) has no basis to agree or disagree; and
- iii. request the former auditor to confirm within 20 days whether their letter referred to above need be updated, and if do, to update it.

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A reporting issuer must within 30 days after the date of appointment:

- i. have the audit committee of its board of directors or its board of directors review the letters from the successor auditor if received by the reporting issuer, and approve the change of auditor notice;
- ii. file a copy of the reporting package with the regulators;
- iii. deliver a copy of the reporting package to the successor auditor and to the former auditor; and
- iv. if there are any reportable events, issue and file a news release disclosing the appointment of the successor auditor and either describing the information in the reporting package or referring to the news release with respect to the resignation or termination of the former auditor.

The Documents

The main documents involved in a change of auditor are set out below.

A **change of auditor notice** must include certain prescribed information, including:

- whether the former auditor (i) resigned on the former auditor's own initiative or at the reporting issuer's request; (ii) was removed or is proposed to holders of qualified securities to be removed during the former auditor's term of appointment; or (iii) was not reappointed or has not been proposed for reappointment;
- whether the former auditor's report on any of the reporting issuer's financial statements relating to the relevant period contained any reservation and, if so, a description of each reservation; and
- information regarding any disagreement, consultation, or unresolved issuer, each being a "reportable event" (see below).

The **reporting package** generally consists of:

- the change of auditor notice(s); and
- the letters from the former and successor auditors in respect of their review of the change of auditor notices(s).

A copy of the reporting package and a summary of the contents of the reporting package must be included in the issuer's next **management information circular**.

Timeline

A sample timeline setting out the due dates of the documents and deliveries in the case where the termination of the former auditor and the appointment of the successor auditor occur concurrently is set out in **Schedule "A"**.

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Reportable Event

The significant event in connection with a change of auditor is a “**reportable event**”. This means any disagreement, consultation or unresolved issue between a former auditor and reporting issuer. These terms are defined under NI 51-102 and trigger certain disclosure requirements in the change of auditor notice which are set out for ease of reference in **Schedule “B”** attached to this article.

CNSX Requirements

The Canadian National Stock Exchange does not impose any additional or special requirements on its listed issuers in connection with a change in auditors.

Recent Examples⁵

Three recent examples of a change of auditor and the documents filed in relation thereto and publicly available on SEDAR are for Regal Energy Ltd.⁶, Taiga Building Products Ltd.⁷ and St. Andrew Goldfields Ltd.⁸

Stay Tuned for Part II

Part II of this paper will discuss the auditor’s perspective for a change of auditor including the criteria and processes that a successor auditor will undertake for accepting a new engagement. These include, for example, knowledge of the client’s business, a review of the former auditor’s working papers and independence issues that may impact on the successor auditor’s ability to accept the engagement. In other words, even if you want to change auditors, it does not mean that a potential successor auditor may want to change or can accept the engagement. Part II of this article will be written from an auditor’s perspective by Shane Hilkwitz CA of Zeifmans LLP.

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This article is not intended to provide legal advice as individual situations will differ and should be discussed with a lawyer. For more information contact Brian Koscak or Greg Hogan at Cassels Brock & Blackwell LLP. Brian and Greg are partners specializing in corporate finance and securities law at Cassels Brock & Blackwell LLP, a full-service law firm located in Toronto, Ontario. Brian can be reached at 416.860.2955 or bkoscak@casselsbrock.com; Greg can be reached at 416.860.6554 or ghogan@casselsbrock.com.

The authors would also like to thank Shane Hilkwitz, CA of Zeifmans LLP for his contribution to this article. Shane can be reached at (416) 256-4000 Ext. 327 or hilkwitzs@zeifmans.ca.

⁵ The purpose of these link is to provide an example of the change of auditor documents filed on SEDAR and neither the authors, Cassels Brock & Blackwell LLP nor Zeifmans LLP have reviewed these documents for accuracy or completeness.

⁶ See the filings made by *Regal Energy Ltd.* in May 2009 at: <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00023201>.

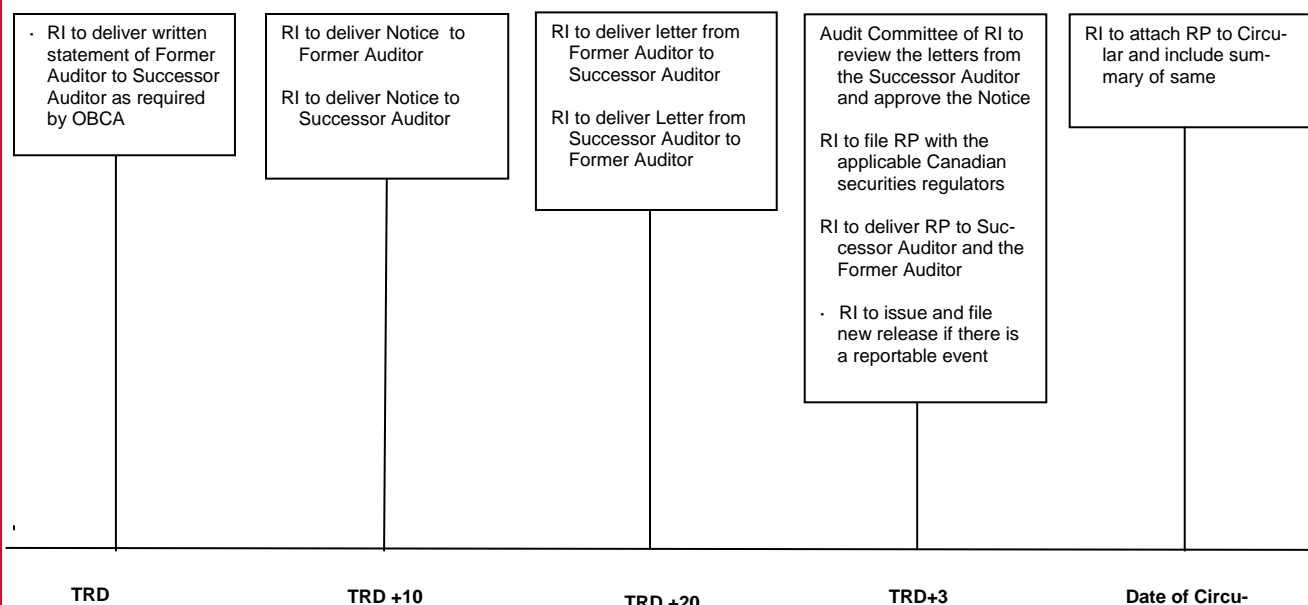
⁷ See the filings made by *Taiga Building Products Ltd.* in January 2009 at <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00022285>.

⁸ See the filings made by *St. Andrew Goldfields* in May 2007 at <http://sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00003240>

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SCHEDULE "A"

DOCUMENT DELIVERY TIMELINE



Legend

“**Circular**” means the management information circular of the RI

“**Notice**” means the change of auditor notice

“**OBCA**” means the *Business Corporations Act* (Ontario)

“**RI**” means the reporting issuer

“**RP**” means the reporting package

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SCHEDULE “B” REPORTABLE EVENT DISCLOSURE IN THE CHANGE OF AUDITOR NOTICE

<i>Type of Reportable Event</i>	<i>Disclosure of the Following Information in the Change of Auditor Notice</i>
<p>A “disagreement” means: a difference of opinion between personnel of a reporting issuer responsible for finalizing the reporting issuer’s financial statements and the personnel of a former auditor responsible for authorizing the issuance of audit reports on the reporting issuer’s financial statements or authorizing the communication of the results of the auditor’s review of the reporting issuer’s interim financial statements, if the difference of opinion</p> <p>(a) resulted in a reservation in the former auditor’s audit report on the reporting issuer’s financial statements for any period during the relevant period;</p> <p>(b) would have resulted in a reservation in the former auditor’s audit report on the reporting issuer’s financial statements for any period during the relevant period if the difference of opinion had not been resolved to the former auditor’s satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the former auditor upon the receipt of further information;</p> <p>(c) resulted in a qualified or adverse communication or denial of assurance in respect of the former auditor’s review of the reporting issuer’s interim financial statements for any interim period during the relevant period; or</p> <p>(d) would have resulted in a qualified or adverse communication or denial of assurance in respect of the former auditor’s review of the reporting issuer’s interim financial statements for any interim period during the relevant period if the difference of opinion had not been resolved to the former auditor’s satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved.</p>	<p>For a disagreement, the following information must be disclosed in the change of auditor notice:</p> <p>(a) a description of the disagreement;</p> <p>(b) whether the audit committee of the reporting issuer’s board of directors or the reporting issuer’s board of directors discussed the disagreement with the former auditor; and</p> <p>(c) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the disagreement and, if not, a description of and reasons for any limitation;</p>

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<p>A “consultation” means: advice provided by a successor auditor, whether or not in writing, to a reporting issuer during the relevant period, which the successor auditor concluded was an important factor considered by the reporting issuer in reaching a decision concerning:</p> <p>(a) the application of accounting principles or policies to a transaction, whether or not the transaction is completed;</p> <p>(b) a report provided by an auditor on the reporting issuer’s financial statements;</p> <p>(c) scope or procedure of an audit or review engagement; or</p> <p>(d) financial statement disclosure.</p>	<p>For a consultation, the following information must be disclosed in the change of auditor notice:</p> <p>(a) a description of the issue that was the subject of the consultation;</p> <p>(b) a summary of the successor auditor’s oral advice, if any, provided to the reporting issuer concerning the issue;</p> <p>(c) a copy of the successor auditor’s written advice, if any, received by the reporting issuer concerning the issue; and</p> <p>(d) whether the reporting issuer consulted with the former auditor concerning the issue and, if so, a summary</p>
<p>An “unresolved issue” means: any matter that, in the former auditor’s opinion, has, or could have, a material impact on the financial statements, or reports provided by the auditor relating to the financial statements, for any financial period during the relevant period, and about which the former auditor has advised the reporting issuer if:</p> <p>(a) the former auditor was unable to reach a conclusion as to the matter’s implications before the date of termination or resignation;</p> <p>(b) the matter was not resolved to the former auditor’s satisfaction before the date of termination or resignation; or</p> <p>(c) the former auditor.</p>	<p>For an unresolved issue, the following information must be disclosed in the change of auditor notice:</p> <p>(a) a description of the issue;</p> <p>(b) whether the audit committee of the reporting issuer’s board of directors or the reporting issuer’s board of directors discussed the issue with the former auditor; and</p> <p>(c) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the issue</p>
<p>No reportable event.</p>	<p>For no reportable event, a statement to that effect must be disclosed in the change of auditor notice:</p>