



CANADIAN NATIONAL STOCK EXCHANGE

President's Message

Looking for some positive economic news? Look no further than CNSX.

June continued the encouraging improvement shown in May in both trading and listing activity. Trading activity measured by trades, volume and value was approximately the same as the previous month, and roughly double the rate of the first four months of the year. Listing activity was also strong with four new listings during the month, repeating the performance in May. Two of the new listings were small IPO's bringing the total for the year to date to five. It is expected that listing activity in July will remain at the same level and avoid the traditional seasonal fall off, based on the number of applications already underway.

The listings switch campaign targeting companies listed on TSX and TSX-V that ended in June was a great success. A total of 19 listing applications were received, including 11 that were TSX listed, 6 from TSX-Venture and 2 that were trading on the TSX-V's NEX board. These companies recognize the compelling value proposition of a CNSX listing that encompasses reduced costs for all exchange related expenses and an investor friendly disclosure model.

On June 22nd we held a webcast seminar (webinar) on the move to International Financial Reporting Standards from Canadian GAAP. This is a requirement for all Canadian public companies and the webinar was very well attended with over 100 participants. The webcast will be professionally edited and available for replay in the near future. CNSX was pleased at the response as it corroborates our view that all officers and directors of listed companies should be fully aware of the disclosure and reporting requirements of all regulatory authorities. Good disclosure is an essential feature of an efficient and fair equity market and we believe our investment in this educational program was well worthwhile. We appreciate the time devoted to the presentation by our IFRS experts Tom Brown and Himanshu Shah of Resolute Associates, Stephen Warden of Parker Simone LLP and also Pat Beechinor or TheNewswire.ca who acted as host and moderator.

CNSX Listings

New Listing - Scarlet Resources Ltd.

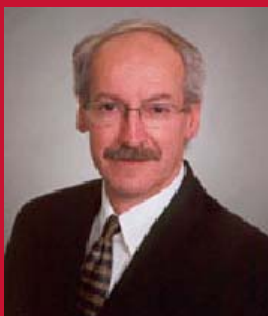
SYMBOL: SCT

Listing Date: June 1, 2009

Activity: Scarlet Resources is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company holds an option to acquire an undivided 100% interest in the Ches Property, an exploration property situated in central British Columbia within the Omineca Mining Division.

Outstanding Shares: 9.8 Million Common Shares

Transfer Agent: : Olympia Trust Company



Robert Cook
President

INSIDE THIS ISSUE:

- President's Message 1
- Listings 2
- Market Activity 3
- Market Data 3
- Trading Activity 4
- Most Active 5
- Financing 6
- Pure Trading 7
- CNSX Dealers 9
- Law & Accounting Matters 10
- IR Insight 13

CNSX Listings Cont'd

New Listing - ACFAW.com Inc.

SYMBOL: ACW

Listing Date: June 3, 2009

Activity: ACFAW.com Inc. develops and markets humanitarian websites whose mission is to raise awareness for specific causes and to raise money in order to financially support organizations dedicated to such causes. ACFAW's unique model enables its websites to redistribute 100% of the money raised on the Internet without the usual management and marketing fees.

Outstanding Shares: 12.3 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada

New Listing - Fire River Gold Corp.

SYMBOL: FAU

Listing Date: June 1, 2009

Activity: Fire River Gold Corp. is engaged in the business of acquiring and exploring mineral resource properties. The Company, through its wholly owned subsidiary Fire River Gold Corp. has acquired a 100% interest in the Draken Property located in Alaska, U.S.A.

Outstanding Shares: 9.8 Million Common Shares

Transfer Agent: Computershare Investor Services Inc.

New Listing - CCR Technologies Ltd.

SYMBOL: CRL

Listing Date: June 30, 2009

Activity: CCR owns proven, proprietary and patented technologies for the purification and reclamation of high volume, high value chemicals used in the refining, natural gas processing, and petrochemicals industries. The Company owns and operates a fleet of four mobile vacuum distillation processing units that can be transported to a customer's refinery or gas plant, to provide on-site purification of chemicals like amines and glycols while the customer's plant continues to operate. On-site reclaiming provides customers with both economic and environmental benefits by avoiding costly downtime and expensive solvent replacement while minimizing the cost of disposing spent solvents. CCR's mobile reclaiming units can also be used to provide offsite batch reclaiming services. CCR is also marketing permanent reclaimers and a related package of services to potential customers in the global oil and gas industry.

Outstanding Shares: 87.2 Million Common Shares

Transfer Agent: : Computershare Trust Company of Canada

Interest Rates for Province of Manitoba Bonds

On May 15, 2009 Manitoba Finance announced the interest rate for Manitoba Builder Bonds, Series 11, on sale May 19 to June 2 throughout the province. In addition, the interest rate for all outstanding floating rate bonds, which are adjustable and redeemable annually, has been set at 1.0 per cent effective June 15, 2009. For more information please see bulletin number 2009 – 0604.

Stock Split - Chava Resources Ltd.

SYMBOL: CHA

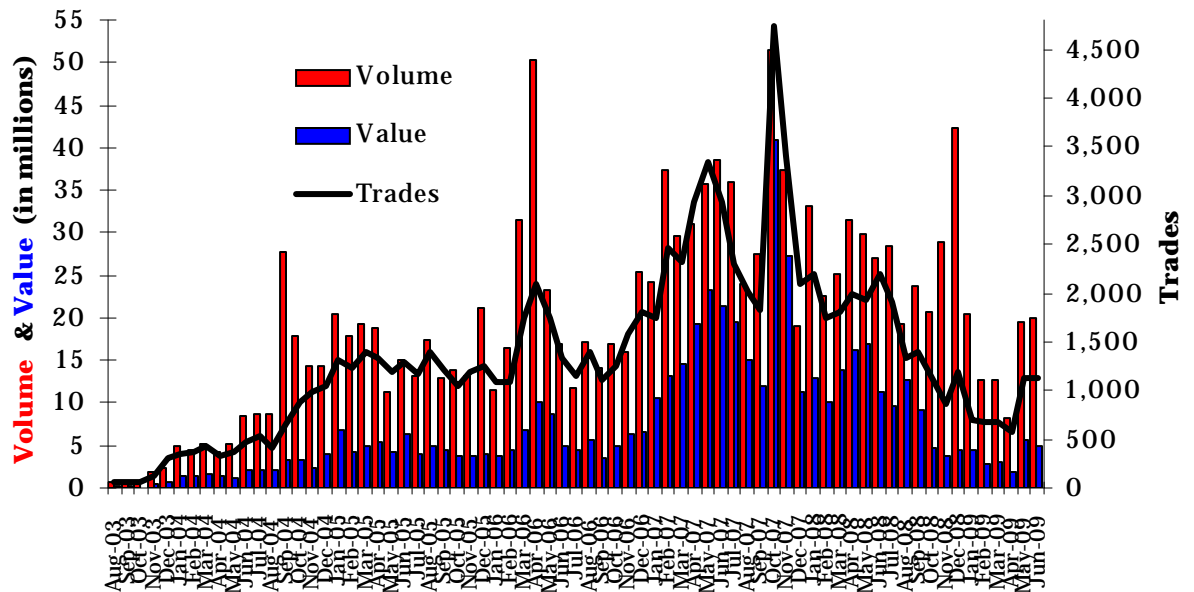
Chava Resources Ltd. announced that it plans to subdivide its outstanding share capital on the basis of two new shares for each existing share held. The stock split is being conducted via the "push-out" method. The shares in Chava Resources began trading on a split basis at the open on Thursday, June 18, 2009. For more details please see bulletin 2009 - 0605.

To become a CNSX listed company, contact:
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Total Market Activity June 2009

Total Volume Traded.....	19,967,113	Avg Volume per Trade.....	17,717
Value Traded.....	\$4,868,640	Avg Value per Trade.....	\$4,320
Total Trades.....	1,127	Avg Price per Share.....	\$0.24

CNSX Trading Activity Through June 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

CNSX Data Vendor

Alpha Trade
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416-941-8000
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Website URL

www.alphatrade.com
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www.iress.ca
www.pcquote.ca
www.quotemedia.com
www.reuters.com
www.reuters.com
www.tkusa.com
www.thomson.com

Trading Activity

Stock	Symbol	Volume	Value	Trds	High	Low	Close
ACFAW.com	ACW	230,000	5,975	6	0.13	0.02	0.025
Acorn Income Corp.	ACI	13,167	1,301	6	0.1	0.1	0.1
Aerocast Inc.	A	83,000	16,560	9	0.22	0.17	0.2
Alliance Mining Corp.	ALM	91,000	3,010	6	0.04	0.03	0.03
Arctic Hunter Uranium Inc.	AHU	10,000	1,350	3	0.15	0.12	0.12
Armada Mercantile Ltd.	ARM	4,000	400	1	0.1	0.1	0.1
Ateba Resources Inc.	ATR	2,999	129	4	0.06	0.06	0.06
Biosign Technologies Inc.	BIO	273,850	28,003	16	0.15	0.08	0.095
Bison Gold Resources Inc.	BGE	66,670	3,999	3	0.06	0.06	0.06
Bryant Resources Inc	BYR	100,000	31,000	1	0.31	0.31	0.31
Canadian Intl. Minerals Inc.	CIN	125,000	8,350	5	0.075	0.06	0.06
Cancor Mines Inc.	KCR	155,000	2,300	4	0.015	0.01	0.015
Cayenne Gold Mines Ltd.	CYN	75,000	12,800	9	0.25	0.1	0.1
CB Resources Ltd.	ICD	50,000	1,500	1	0.03	0.03	0.03
Chai Cha Na Mining Inc.	CNN	129,000	17,000	9	0.15	0.1	0.1
Chava Resources Ltd.	CHA	49,000	20,350	7	0.5	0.4	0.4
CIC Mining Resources Ltd.	RRR	13,000	435	4	0.065	0.01	0.03
Colt Resources Inc.	GTP	1,963,479	223,129	8	0.16	0.1	0.105
Continent Resources Inc.	CTT	3,084,276	1,850,814	381	0.72	0.45	0.5
Copper Reef Mining Corp.	CZC	58,500	2,182	6	0.05	0.035	0.035
Cougar Minerals Corp.	COU	2,550,750	125,957	31	0.05	0.04	0.04
Covenant Resources Ltd	CVA	436,000	27,590	13	0.065	0.06	0.06
Cuervo Resources Inc.	FE	1,031,000	468,925	38	0.5	0.37	0.37
Dynamic Resources Corp.	DYR	490,400	18,709	27	0.05	0.02	0.04
ESI Entertainment Systms Inc.	ESY	15,000	2,700	3	0.18	0.18	0.18
Eurogas International Inc.	EI	539,585	42,510	34	0.11	0.01	0.05
Fire River Gold Corp.	FAU	1,000	400	1	0.4	0.4	0.4
Gamecorp Ltd.	GGG	11,211	731	9	0.075	0.07	0.075
Glenbriar Technologies Inc.	GTI	45,000	1,800	3	0.04	0.04	0.04
HiHo Silver Resources Inc.	HHS	200,095	9,000	2	0.045	0.045	0.045
Hy Lake Gold Inc.	HYL	28,400	2,542	4	0.095	0.08	0.095
Lands End Resources Ltd.	LND	2,000	380	1	0.19	0.19	0.19
Magna Resources Ltd.	MNA	20,000	4,550	3	0.25	0.16	0.25
Mantis Minerals Corp.	MYN	360,000	23,310	11	0.08	0.05	0.065
MB Bldr 5yr Fltg 1.00% 6/15/14	BKF.DB	427,000	427,000	4			
MB Bldr Bnds 3 yr AF 3.5%	BJA.DB.A	86,000	86,000	3	100	100	100
MB Bldr Bnds IX - 5yr AF	BIA.DB.B	57,300	57,300	2	100	100	100
MB Bldr Bnds IX - 5yr CF	BIC.DB	5,100	5,100	1	100	100	100
MB Hydr Bnds 10 - 3yr AF	HJA.DB.A	85,500	85,500	3	100.01	100	100.01
MB Hydr Bnds 9 - 5yr CF	HIC.DB	500	500	1	100	100	100
MB Hydr Bnds 9 - AF	IFH.DB	24,400	24,400	3	100	100	100
MB Hydr Bonds 10 - 5yr CF	HJC.DB	1,000	1,000	1	100	100	100
Micromem Technologies Inc.	MRM	7,000	11,051	12	2.1	1.1	1.1
Nass Valley Gateway Ltd.	NVG	100,000	1,500	1	0.015	0.015	0.015
Nexia Biotechnologies Ltd.	NBL	1,100	5	2			
ONA Energy Inc.	OEE	719,300	93,265	7	0.15	0.08	0.13
OnePak, Inc.	OPK	11,000	5,500	1	0.5	0.5	0.5
Orca Power Corp.	OP	76,600	2,483	6	0.035	0.03	0.03
Otterburn Ventures Inc.	OTB	241,500	12,130	11	0.055	0.05	0.05

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
Petrol One Corp.	POV	391,214	80,604	57	0.225	0.17	0.21
PetroWorth Resources Inc.	PTW	1,004,500	227,265	39	0.3	0.2	0.215
Plaintree Systems Inc.	NPT	9,120	1,535	13	0.3	0.1	0.18
Platoro West Holdings Inc.	PWH	1,027,101	32,883	21	0.04	0.025	0.025
Preo Software Inc.	PKM	250	1	1			
Quinsam Capital Corporation	QCA	57,000	1,140	4	0.02	0.02	0.02
Range Gold Corp.	RGU	67,500	9,445	6	0.25	0.04	0.15
Range Metals Inc.	RGO	232,000	69,570	24	0.4	0.2	0.25
Redzone Resources Ltd.	REZ	24,000	11,470	10	0.6	0.39	0.42
Regal Resources Inc.	RGR	45,000	5,450	5	0.13	0.12	0.12
RT Minerals Corp.	RTM	18,000	780	2	0.05	0.035	0.05
RX Exploration	RXE	359,516	110,565	46	0.38	0.24	0.26
Scarlet Resources Ltd.	SCT	100,000	26,725	8	0.29	0.22	0.25
Stealth Energy Inc	SLH	284,944	27,391	16	0.1	0.085	0.085
Sunorca Development Corp.	SUN	200,000	3,000	2	0.015	0.015	0.015
Talmora Diamond Inc.	TAI	6,000	180	1	0.03	0.03	0.03
Thunderbird Resorts Inc.	TBI.U	29,488	36,293	20	1.4	0.5	0.7
Trevali Resources Corp.	TV	200,168	163,620	51	1.02	0.65	0.85
Triple Dragon Resources Inc.	TDN	97,000	23,250	10	0.3	0.2	0.2
Valterra Resource Corp.	VTA	260,900	23,169	28	0.09	0.06	0.09
Veraz Petroleum Ltd.	VRZ	390,230	186,989	33	0.6	0.4	0.6
Wedge Energy International Inc.	WEG	1,000,000	50,000	1	0.05	0.05	0.05
West Isle Energy Inc.	WEI	12,500	625	2	0.05	0.05	0.05

Most Active by Volume

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Continent Resources Inc.	CTT	3,084,276	1,850,814	381	0.72	0.45	0.5
Cougar Minerals Corp.	COU	2,550,750	125,957	31	0.05	0.04	0.04
Colt Resources Inc.	GTP	1,963,479	223,129	8	0.16	0.1	0.105
Cuervo Resources Inc.	FE	1,031,000	468,925	38	0.5	0.37	0.37
Platoro West Holdings Inc.	PWH	1,027,101	32,883	21	0.04	0.025	0.025
PetroWorth Resources Inc.	PTW	1,004,500	227,265	39	0.3	0.2	0.215
Wedge Energy Intl. Inc.	WEG	1,000,000	50,000	1	0.05	0.05	0.05
ONA Energy Inc.	OEE	719,300	93,265	7	0.15	0.08	0.13
Eurogas International Inc.	EI	539,585	42,510	34	0.11	0.01	0.05
Dynamic Resources Corp.	DYR	490,400	18,709	27	0.05	0.02	0.04

Most Active by Value

Stock	Symbol	Volume	Value	Trds	High	Low	Close
Continent Resources Inc.	CTT	3,084,276	1,850,814	381	0.72	0.45	0.5
Cuervo Resources Inc.	FE	1,031,000	468,925	38	0.5	0.37	0.37
MB Builder 5yr Fltg 1.00%	BKF.DB	427,000	427,000	4			
PetroWorth Resources Inc.	PTW	1,004,500	227,265	39	0.3	0.2	0.215
Colt Resources Inc.	GTP	1,963,479	223,129	8	0.16	0.1	0.105
Veraz Petroleum Ltd.	VRZ	390,230	186,989	33	0.6	0.4	0.6
Trevali Resources Corp.	TV	200,168	163,620	51	1.02	0.65	0.85
Cougar Minerals Corp.	COU	2,550,750	125,957	31	0.05	0.04	0.04
RX Exploration	RXE	359,516	110,565	46	0.38	0.24	0.26
ONA Energy Inc.	OEE	719,300	93,265	7	0.15	0.08	0.13

Financings Completed

Company	Symbol	Amount Raised	Date
Fire River Gold Corp.	FAU	\$462,000	Jun. 1/09
Scarlet Resources Ltd.	SCT	\$400,500	Jun. 1/09
Continent Resources Inc.	CTT	428,450\$	Jun. 2/09
Talmora Diamond Inc.	TAI	\$305,929	Jun. 3/09
Canadian International Minerals Inc.	CIN	\$350,000	Jun. 10/09
Valterra Resource Corporation	VTA	\$379,000	Jun. 12/09
Continent Resources Inc.	CTT	\$341,550	Jun. 15/09
Kokomo Enterprises Inc.	KKO	\$225,000	Jun. 29/09
RT Minerals Corp.	RTM	\$250,000	Jun. 29/09
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.I	\$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

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Pure Trading

As in the month of May, June again saw little movement in relative market share amongst the Canadian marketplaces. If our sources are correct, however, we expect to see a number of interesting new market participants arrive in Canada over the course of the summer. We will do our best to alert our dealer, access and market data vendor clients to any infrastructure issues associated with the commencement of trading of these new trading firms. We are reviewing, in particular, our bandwidth recommendations for the Level 1 and 2 data feeds and the Pure Broadcast Feed; we expect to have revised forecasts for these services out shortly.

Contrary to the projections of a number of observers, share trading volumes have continued strong in the Canadian markets over the last several months. For Pure's part, we traded a record volume last month of stocks priced at above one dollar. On the month, the top 20 stocks by volume trade on Pure were:

Name	Stock	Volume	MK Share
BOMBARDIER INC. CL B, SV	BBD.B	14,785,973	4.38%
URANIUM ONE INC.	UUU	13,622,965	3.25%
CONNACHER OIL & GAS LIMITED	CLL	8,284,700	5.51%
NUVO RESEARCH INC.	NRI	6,850,000	5.59%
BREAKWATER RESOURCES LTD.	BWR	6,455,100	5.22%
LUNDIN MINING CORPORATION	LUN	6,026,500	3.35%
EQUINOX MINERALS LIMITED	EQN	4,914,400	4.32%
OPTI CANADA INC.	OPC	4,843,600	3.08%
MERCATOR MINERALS LTD.	ML	4,630,300	3.60%
DENISON MINES CORP.	DML	4,252,100	4.68%
ADDAX PETROLEUM CORPORATION	AXC	4,183,700	6.71%
NEW GOLD INC.	NGD	3,794,400	4.66%
BROMPTON VIP INCOME FUND	VIP.UN	3,611,600	51.88%
REDCORP VENTURES J	RDV	3,605,000	5.73%
AZURE DYNAMICS CORP.	AZD	3,432,000	6.14%
WESTERN CANADIAN COAL CORP	WTN	3,347,600	2.62%
EASTERN PLATINUM LIMITED	ELR	3,023,900	2.69%
CENTAMIN EGYPT LIMITED	CEE	2,886,800	2.75%
AURA MINERALS INC.	ORA	2,761,700	3.61%
BCE INC.	BCE	2,692,700	3.09%

We continue to work with the regulators and the industry on issues raised by the Canadian Securities Administrator's proposed amendments to the rules around multiple market trading. At this point, we believe that it is critically important, for the credibility of Canada as a trusted trading partner in the international securities community, to come to closure on the proposals. We have yet to see any sufficient reason to further delay this two year process raised by any party to the proceedings.

Finally, the Canadian Securities Administrators recently awarded the equities "Information Processor" mandate to our colleagues at the TMX. CNXS Markets supported the application by TMX on the basis that market participants are looking for an accepted consolidated "tape of record" for bids and offers, and last sales. Although we suspect that high frequency and other latency sensitive traders will continue to take information feeds directly from the individual markets, we believe that creating this service will reduce a known barrier for a number of international market participants coming into Canada. We look forward to working with the TMX on this initiative.

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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.

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CNSX Listings Cont'd

Delist - Thunderbird Resorts

At the request of the company, Thunderbird Resorts Inc. ("Thunderbird") was delisted at the close of business Tuesday, June 30, 2009.

Thunderbird's common shares will continue to be listed on the Euronext Amsterdam N.V. ("Euronext") under the symbol "TBIRD" and on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the symbol "4TR".

Law & Accounting Matters

Changing Your Auditors



Part II – the Auditor’s Perspective

by

Shane Hilkwitz, CA

Overview

This article follows the article written by Brian Koscak and Greg Hogan of Cassels Brock and Blackwell LLP entitled “*Changing Your Auditors – Part 1 The Legal Perspective*” and published in “Law and Accounting Matters” in May 2009 which discussed the corporate and securities laws relating to a change in auditor.¹ Part II is a continuation of the topic and provides the auditor’s perspective for a change of auditor, including the criteria and processes that a successor auditor undertakes in accepting a new engagement.

In responding to a request for a change of auditor, a proposed successor auditor cannot just blindly accept a new audit client without undertaking certain due diligence as required by our professional accounting standards. This due diligence includes obtaining sufficient knowledge and understanding of the prospective audit client’s business, reviewing the former auditor’s working papers and addressing independence issues that may impact on the successor auditor’s ability to accept the engagement, each of which is discussed below.

Knowledge of business and pre-engagement assessment

Auditors need to obtain a pre-engagement understanding of the prospective client that specifically addresses the purpose of the financial statements to be opined on, any special regulatory or legislative reporting requirements, the basis of accounting used, and whether there are any expressed interests of specified users (e.g. lender covenant requirements).

Other key areas the auditor needs to assess include:

- The nature of the assignment and engagement risk. Factors such as the entity’s control environment, complexity of transactions, and management’s attitude towards controls and risks and how they would impact on the risk assessment;
- Independence prohibitions and threats as discussed below in greater detail;
- The auditor’s ability to perform the required work. This includes an assessment of the auditor’s technical and industry knowledge, staffing requirements to execute the engagement within acceptable time-frames, identification of any imposed deadlines, and ability to maintain independence and objectivity throughout the engagement;
- The prospective client’s financial position and ability to pay the auditor’s fees; and
- Results of communications with the former auditors, including the review of related working papers.

Communicating with former auditor

The Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario (the “ICAO”) require communications with the former auditor prior to accepting an audit engagement. This process, which can usually be completed in a timely manner, assists the successor auditor in identifying any situations that may affect acceptance of the engagement. The areas specifically addressed in the communication include: (a) advising the successor auditor whether the former auditor is aware of any circumstances that should be taken into account which might influence the decision to accept the engagement; (b) whether, in the predecessor auditor’s view, fraud or other illegal activity by the client may have been a factor in the client’s decision to appoint a new auditor; and (c) request for access to the predecessor auditor’s working papers.

Changing Your Auditors

Part II – the Auditor’s Perspective

While many audit firms allow the successor auditor to review their working papers, in these litigious times it is fast becoming common practice that some restrictions are placed on the nature of information made available for review, and conditions are established for such review.

Independence assessment

Prior to accepting an audit engagement, auditors need to ensure that they are in compliance with Rule 204 of the ICAO’s Rules of Professional Conduct. Such independence requirements extend to all members of the audit firm, not only those who will be working directly on the prospective engagement. Rule 204 deals with outright prohibitions² on auditors as well as the need to address threats to the prospective auditor’s independence, including those arising from self-interest, self-review, advocacy or familiarity.

Direct prohibitions applicable to all audits

Any member of the audit firm is prohibited from holding, providing or having, as applicable:

1. a direct financial interest or material indirect interest in a client;
2. a loan or guarantee from or to a client where the client is not a bank or similar institution;
3. any close business relationship with a client or its management, or immediate family members serving as directors, officers or employees of the client;
4. recently served as an officer or director or employee of the prospective client;
5. presently serving as a director, officer, secretary or employee of the prospective client;
6. performed management activities or made any management decisions;
7. recently provided significant legal services to the prospective client; or
8. recently provided corporate finance or similar services to a client.

Direct prohibitions applicable to audits of Listed Public Companies

1. Former audit team members may not take senior financial positions with a client for a period of one year;
2. Audit partners must rotate off an audit engagement after five years or seven years if not the lead partner;
3. The audit committee must pre-approve all services provided by the auditor to a client;
4. Audit partners may not be directly compensated by the audit firm for selling non-assurance services to an audit client;
5. Members and firms may not provide: bookkeeping and accounting services; financial information systems design and implementation services; actuarial or valuation services; internal audit services unless it is reasonable to conclude that no self-review threats exists (see below); or
6. Members and firms may not provide the following services, even if they are not subject to audit: expert services including litigation support; legal services; management functions; human resources services; corporate financial services.

Listed Public Companies are referred to in the Rule 204 as “**listed entities**”. A listed entity is an entity whose shares or debt are quoted or listed on a recognized stock exchange, such as the CNSX, other than an entity that has a market capitalization and book value of total assets that are both less than \$10 million.

An entity that meets the definition will be considered to be a listed entity until its securities cease to be quoted or listed, or its market capitalization and total assets have fallen below the \$10 million threshold for a period of two years.

Changing Your Auditors

Part II – the Auditor’s Perspective

Self-interest threats

Self-interest threats can arise if the audit firm has concerns that the budget will be too low to allow adequate procedures to provide assurance on the engagement.

Self-review threats

Self-review threats would include situations that arise from auditors reviewing work done by the audit firm. An example would be the audit firm preparing working papers usually prepared by a client. It may be more difficult to evaluate without bias the work of one’s own audit firm than the work of a client. Therefore, a self-review threat may arise when auditors review judgments and decisions they, or others in their organization, have made.

Advocacy and familiarity threats

Advocacy threats include circumstances in which the auditor advocates a client’s position either directly or through a close or immediate family member. Examples include: promoting shares or securities of a client; acting on behalf of a client in litigation or dispute resolution with third parties; having a close or long-term relationship with a member of a client’s management team; or any business initiatives in which the audit firm has participated with a client.

Other threats

Other threats include any circumstances that would threaten the auditor’s independence or appearance of independence should also be considered.

Next steps if audit engagement is acceptable to successor auditor and client

Once a proposed mandate is acceptable to the auditor and client, the auditor would submit an engagement letter to the company’s Audit Committee Chairman. The decision to change auditors would then follow the legal requirements in Part 1 of this article.

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This article is not intended to provide accounting advice as individual situations will differ and should be discussed with an accountant. For more information contact Shane Hilkwitz, CA at Zeifmans LLP. Shane can be reached at (416) 256-4000 Ext. 327 or hilkwitzs@zeifmans.ca.

Zeifmans LLP is a leading Toronto-based accounting firm with an extensive local, national and international roster of clients. From its well established position in the Canadian business sector, the firm has forged a formidable reputation at home and abroad. Designated a Panel Auditor by the Toronto Stock Exchange and the Investment Dealers Association of Canada, and a participating member of the Canadian Public Accountability Board, Zeifmans’ partners have provided tax and audit solutions to some of the world’s most recognized companies and individuals. As a member of Nexia International, Zeifmans is uniquely positioned to offer potent global reach and influence from its Toronto base. Nexia is a worldwide network of independent accountancy, tax and business advisers ranked among the world’s top ten accounting organizations boasting nearly 600 offices in approximately 100 countries.

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¹ The article can be found at: [Changing Your Auditors- Part I](#).

² Additional information can be obtained from The Institute of Chartered Accountants of Ontario, Rules of Professional Conduct, February 2004 - Rule 204, Independence.