

The Ontario Securities Commission

Recognition of Canadian Trading and Quotation System Supplement to the OSC Bulletin

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Securities Act of Ontario (R.S.O. 1990, c.S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

The Ontario Securities Commission

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Notice of Commission approval Canadian Trading and Quotation System

On February 28, 2003, the Commission recognized the Canadian Trading and Quotation System (CNQ) as a quotation and trade reporting system under section 21.2.1 of the *Securities Act* (Ontario). CNQ will operate an electronic marketplace for Ontario investment dealers to trade non-exchange listed equity securities of Ontario reporting issuers.

In connection with the recognition, the Commission approved the following documents:

1. Recognition order with terms and conditions – The Commission issued an order recognizing CNQ with terms and conditions based on recognition criteria.
2. CNQ Rules – The Commission approved CNQ's rules that are specific to trading on CNQ. CNQ has also adopted the Universal Market Integrity Rules (UMIR), as amended from time to time.
3. CNQ Policies – The Commission approved CNQ's policies that deal with issuer obligations.
4. CNQ Forms – The Commission approved CNQ's forms that are part of the policies.

These documents are attached to this notice.

The CNQ application was published for comment on July 26, 2002. Four comments were received. A summary of comments and the response prepared by CNQ is also attached to this notice.

November 21, 2002

Ontario Securities Commission
20 Queen Street West
Toronto, Ontario
M5H 3S8

Attention: Ms Randee Pavalow, Director, Capital Markets

Dear Ms Pavalow:

Re: Application for Recognition of Canadian Trading and Quotation System Inc. (CNQ) as a Quotation and Trade Reporting System

The comment period for CNQ's application has now expired. CNQ has received comments from:

- S. Mark Francis CIM, President, Exploratus Ltd.
- Market Regulation Services Inc. ("RS Inc.")
- Douglas G. Reeson
- The Prospectors and Developers Association of Canada ("PDAC")

All of the comment letters support recognition of CNQ. Mr. Reeson notes that CNQ's application proposes a securities marketplace that should provide liquidity, transparency and visibility at a reasonable price. Mr. Francis states that the current market structure precludes small companies from funding legitimate projects, providing a distinct regulatory advantage to large companies. RS Inc. is very supportive of CNQ's application and believes that CNQ's rules, combined with the Universal Market Integrity Rules, minimizes opportunities for manipulation. RS Inc. is satisfied that, as CNQ's regulation services provider, it will be in a position to ensure that quotation and trading activity on CNQ complies with standards established by the Canadian Securities Administrators. PDAC supports the establishment of a new, viable, regulated marketplace for trading securities of small cap issuers.

Our response to the comments follows. We have not addressed comments that were supportive of CNQ but that did not recommend any changes or those concerning typographical errors in the original submission, as those have been corrected.

Comments on the Draft Recognition Order

Section 1: Corporate Governance

Comment: CNQ's definition of independence is extremely narrow and may not best serve the investing public as it severely limits the participation of the knowledgeable individuals associated with member firms and issuers. These people do not have the direct conflict of an owner or manager of CNQ. Rather, it is likely more important to mandate some minimum level of board participation for each of member firms and issuers along with the totally independent.

Response: We agree that it is important that CNQ have knowledgeable individuals from dealers on the CNQ Board. However, the independence requirement is designed to ensure that the CNQ Board is not dominated by parties it regulates.

We have reviewed the draft recognition order of TSX Inc. following its reorganization and initial public offering. We note that under the TSX order, representatives of listed companies are considered "independent." We request that the CNQ draft recognition order be amended to provide the same for representatives of CNQ Issuers, as we see no reason to differentiate between the two markets on this issue.

We also request that the draft recognition order be amended to provide that the CNQ President will be neither a related nor unrelated director. We believe the best board structure for CNQ would be one with an equal number of related (i.e. CNQ Dealer) and unrelated directors, with the CNQ President to provide an odd number of directors. We intend to have a board of between 9 and 13 persons, to ensure an adequate number of unrelated members.

Section 3: Fair and Appropriate Fees

Comment: CNQ should be given the flexibility to stage the Initial Fee over time, should it so wish. In the event that the listing requirements were relaxed for an initial period or permanently, the fee schedule should be re-examined certainly with regard to the Fundamental Change Fee. Perhaps the Initial Fee for this group of less active companies could be re-considered, as well, such as spreading it over 2 or 3 years with a penalty (i.e. 3 years @ \$4000).

Response: CNQ believes its fee structure is fair and appropriate, and does not believe it would be appropriate to set a differential fee for less active issuers. Nor do we believe a differential fee should be charged for fundamental changes. The fee for an issuer qualifying for quotation following a fundamental change is the same as for an original application because the transaction in substance will result in a new issuer being quoted on the system. Having a differentiated fee structure would encourage companies wishing to become quoted on CNQ to do so through a reverse take-over or similar transaction rather than apply directly.

CNQ will continually review its quotation and trading fees to ensure they are competitive.

Section 8: Purpose of Rules

Comment: Wording should be incorporated in section 8 indicating that CNQ be required to adopt the Universal Market Integrity Rules.

Response: We do not believe that this amendment is necessary. The CNQ trading rules provide that UMIR form part of CNQ Requirements and must be followed by CNQ Dealers. It is also a requirement of the CSA's Marketplace Operation and Trading Rules that CNQ adopt the rules of its Regulation Services Provider.

Comments on the Issuer Policies

General Comments

Comment: Many of the documents required to be filed on the CNQ Website are already required to be filed on SEDAR. In addition, CNQ will require the posting of a large number of documents which are not currently required to be filed on SEDAR which may not provide meaningful information to an investor (such as Certificates of Compliance and legal opinions). The combined effect of the duplication of previously filed documents as well as the requirement to post documents which do not provide meaningful information will result in a very cluttered CNQ Website and would reduce the usefulness of the Website. We submit that it would be easier for a reader to search the CNQ Website if its contents were limited to documents required to be filed by CNQ which are not already available on SEDAR and those which provide meaningful disclosure.

Response: CNQ has adopted a philosophy of enhanced disclosure rather than transaction-based regulation. Central to this is the concept that the CNQ website will be a "one-stop" data repository for all corporate information concerning CNQ Issuers. This will make it much easier for investors and potential investors to access the data they require to make investment decisions. Given that all documents filed on SEDAR must be in electronic format, we do not believe it will be excessively burdensome to require them to also be posted on CNQ.

With respect to the comment that some of the required documentation may not provide meaningful information, we have made a number of changes in response to specific comments, which are described below. We will continually review our policies and eliminate requirements to file documents that serve no purpose. However, until we have the benefit of experience, we have chosen to take an inclusive approach to required documentation.

Comment: Fair regulation is best achieved when a regulator possesses the ability to exercise discretion and does so in a responsible and practical manner. However, fair regulation also requires that the rules and policies be as clear and comprehensive as possible. While we agree that discretion is necessary in deciding to accept or reject a company's application for quotation, we do not believe that CNQ should have such broad discretion to ignore written rules and policies after an issuer has been accepted for quotation.

Response: We do not believe that exercising discretion equates to "ignoring" rules. Rather, it is a recognition that it is impossible to foresee the future and circumstances may arise that either violate the spirit, but not the letter, of the rule, or clearly were not contemplated by the rule. The alternative would be to draft rules so complex that they are not easily understood. CNQ will be subject to OSC oversight and the Commission will monitor how CNQ exercises its discretion to ensure it is done fairly and appropriately.

It should be noted that, unlike the exchange, Issuers will not have to seek approval for transactions other than fundamental changes. While we will review filings after-the-fact to ensure compliance, it is not our intention to retroactively apply new requirements. Finally, any Issuer affected by a CNQ Decision has the right to appeal that decision to the Commission.

Comment: Provisions in the policies and rules dealing with compliance with laws, rules, policies etc. should have a “materiality” standard so that the applicable test is “material compliance”.

Response: We do not intend to make the proposed change. We would not normally take action against an Issuer for a technical breach of laws, rules and policies that did not harm investors or the market. However, setting a materiality standard could excuse more serious breaches and would not allow CNQ to take action against an issuer that repeatedly breaches the requirements in a “non-material” manner.

Policy 1: CNQ Philosophy

PARAGRAPH 1.4

Comment: The text of the Certificate of Compliance implies that the certificate is provided by the signatory in his personal capacity. We do not believe this to be appropriate. In addition, the sanctions provided for in paragraph 7-104 of Rule 7 do not specify the sanctions for filing a false Certificate of Compliance whether advertently or inadvertently. We recommend that (i) the text of the Certificate of Compliance be worded such that the signatory is filing it “for and on behalf of the issuer and not in his personal capacity”; (ii) the text of the Certificate of Compliance should state that the issuer is in “material” compliance with securities laws and (iii) paragraph 7-104 of Rule 7 should specify the range of proposed sanctions for filing a false Certificate of Compliance.

Response: We would view someone who intentionally files a false Certificate of Compliance to be unfit to be a Related Person of a CNQ Issuer and, subject to due process, would require that the individual resign. Depending on the circumstances, we may view someone who unintentionally files a false certificate to be unfit. The provisions for sanctions against Issuers and their Related Persons are contained in the Issuer Policies. Rule 7 contains disciplinary provisions for CNQ Dealers and their employees and Related Persons. We have revised the section to clarify that it excludes Issuers and their related persons.

With respect to the comment that the certificate should state that the Issuer is in “material” compliance, please see our response to the previous comment.

PARAGRAPH 2.1

Comment: CNQ will reserve the discretion to “grant or deny an application ... notwithstanding the published policies of CNQ.” We believe that fair regulation is best achieved when a regulator possesses the ability to exercise discretion and does so in a responsible and practical manner. However, fair regulation also requires that the rules and policies be as clear,

comprehensive and consistently applied. We believe that the discretion described above should be applied in the context of original listings. In all other situations, we believe that the rules and policies of CNQ should be clearly stated and should not be disregarded except in the most unique circumstances.

Response: Please see our response to the second general comment above.

Policy 2: Qualification for Quotation

PARAGRAPHS 1.3-1.5

Comment: The number of board lot holders required by the Canadian Dealing Network was 100. We believe that many issuers who will be applying for quotation on CNQ will be former CDN issuers and recommend that the CNQ requirement be lowered to 100 board lot holders in recognition of this.

Response: CNQ believes that any of 100, 150, or 200 is an arbitrary cut-off used as a proxy to distinguish between companies which do and do not have enough float for a reasonable market to develop. We are more comfortable with a minimum of 150 than we would be with a minimum of 100. Past experience with CDN has shown that a number of issuers had an insufficient float. We will periodically review the float requirements to assess whether they are appropriate.

Comment: How would the minimum public float of \$50,000 be calculated for an issuer that is not currently trading, trading on the CUB or not undertaking a public financing?

Response: CNQ will look at a number of related factors such as previous trading in an OTC or other published market, trading price/value of similar companies, existence of market maker and anything else that may be relevant or comparable in order to make a reasonable estimate of the value.

Comment: Is it reasonable that management should be aware of “any person or group of persons acting jointly or in concert holding more than 5% of the issued and outstanding”? This collective investment could have a value of as little as \$25,000. This is a very low threshold for an investor to be considered in essence an insider.

Response: We do not consider someone holding less than 10% of the outstanding securities to be an insider of the Issuer. 10% is the threshold in the definition of “Related Person” in Policy 1. The 5% threshold is used only to determine the size of the public float of an Issuer applying for quotation. CNQ excludes persons or groups holding 5% because this could have an impact on the size of the float that will actually trade in the market. The requirement that management disclose 5% shareholders “of whom they are aware” recognizes the fact that those shareholders are under no obligation to disclose their holdings to the Issuer until they reach the 10% threshold and management may not be able to determine their holdings.

Comment: The fixed criteria for a thin float issuer be increased from 10% to 15%, perhaps even a bit higher, and eliminate the “target % freely tradeable shares”. The “thin float issuer” warning is a good idea which will lose its effectiveness if the criteria are such that too many issuers bear this warning.

Comment: It is not clear why the “thin float issuer” designation is necessary at all. It is not a feature of any other stock exchange. An issuer would be required to have at least 500 board lot holders in order to avoid such a designation, which is too high. In any event, Issuers should not be required to identify themselves on *all* disclosure documentation. The current draft of the CNQ policies will oblige issuers to file documents prepared under securities legislation with CNQ. None of these documents require issuers to designate themselves as “thin float issuers”.

Response: The criteria for a “thin float” designation are intended to identify those issuers that will be likely to be less actively traded, have wider spreads and be more susceptible to market corners than other issuers. The designation also recognizes the fact that the exchanges generally have higher thresholds for both the size of the public float and the number of public securityholders as a condition of listing. Although we do not intend to revise or eliminate the definition, we have amended the policy to provide examples of how the float is calculated.

The requisite number of public shareholders holding freely tradeable shares needed to avoid a “thin float issuer” designation is directly related to the percentage size of the public float, as set out in the formula. If the public float is at least 35% of the outstanding shares and the Issuer otherwise meets the criteria for quotation, the issuer will not be a “thin float” issuer. If the public float is 25% of the outstanding, the issuer need demonstrate only that it has at least 200 public holders. If the public float is less than 10% of the outstanding, the issuer will be a “thin float” issuer regardless of the number of shareholders.

Once we have experience with administering the policy, we will review the threshold to determine whether the formula should be amended or, as suggested, replaced with a fixed percentage without a variable formula.

We have removed the requirement that thin float issuers identify themselves as such in documentation. They will be identified in CNQ market data displays and on the CNQ website.

PARAGRAPHS 1.6-1.7

Comment: These operating requirements may be too restrictive and will not be attainable for a large group of existing issuers.

Response: CNQ has set its minimum standards to exclude non-operating companies that have neither a plan to re-activate nor the resources to do so. Many of the past abuses of the over-the-counter market were in companies with few or no assets that would tout a proposed new venture or product that the company couldn't possibly carry forward in its current financial state.

PARAGRAPH 1.8

Comment: Given that to attain a quotation a considerable amount of funds would already be expended, the cash requirements are too high. The minimum working capital requirement should be reduced to \$50,000, except for operating companies when this amount would appear to be inadequate.

Response: Once we have experience administering this policy we will review the thresholds. The current requirement is not all cash, but working capital. We have not included a minimum working capital requirement for operating companies because the amount required varies so greatly from industry to industry that an absolute standard is inappropriate. The principle we have followed is that if the company has the ability to carry on its business and meet its regulatory requirements as a public company, it can be traded in the CNQ market.

PARAGRAPHS 1.9-1.11

Comment: The quality of management is the essential ingredient in creating a legitimate marketplace of issuers. The proposed restrictions on management appear to be tough and clear. CNQ should consider publishing the names of issuers that are contemplating applying for quotation along with predecessor corporate names, if any, and a list of its officers and directors. CNQ may receive negative comments, the validity of which it could check. This could alternatively be undertaken by a formal or informal CNQ committee.

Comment: Experienced and capable management and directors are fundamental to the success of a junior company. Whether a company possesses these ingredients should be explicitly given priority in determining whether a company should be listed, suspended or delisted. The policy should explicitly state that CNQ will refuse to approve the quotation of an issuer whose management or directors lack experience.

Response: We agree that the quality of management is crucial, and management will be subject to the same RS Inc. background checks as management of issuers applying to the TSX. We do not intend to publish the names of companies that have applied for quotation, at least until they have been conditionally approved. Publication may act as a disincentive to companies wishing to apply, as they may face public embarrassment if the application is declined (which may be for reasons other than the quality of management). Other Canadian markets do not publish the names of applicants until the company has been conditionally approved for listing.

It is not CNQ's intention to pass judgment on the experience of management as the public market will reach its own determination. However, companies that apply for quotation that appear to have no management personnel with appropriate experience in the company's line of business will be required to demonstrate that they have expertise that enables them to achieve the goals of their business plan. This requirement has been explicitly stated in the policy.

PARAGRAPH 2.3(D)

Comment: How does CNQ propose to coordinate the assignment of stock symbols with RS Inc.?

Response: As CNQ will use four-letter stock symbols and the existing exchanges use a maximum of three letters, we do not believe this will be a significant issue.

PARAGRAPH 2.4

Comment: We do not see any need to designate a specific individual to serve as posting officer. Furthermore, we believe that CNQ should state more clearly how it means for the posting officer to be “responsible” for executing all postings. Does this mean that it intends to assign to the posting officer any liability for the form, content and sufficiency of the company’s postings?

Response: Given that disclosure is the underpinning of the CNQ market, we believe it is essential that particular persons be designated as responsible for ensuring the material is posted on time. Otherwise, delays may occur because no one has the clear responsibility and it “fell through the cracks” and CNQ will not have someone to contact to follow up on a failure to post.

The posting officer is an administrative position. He or she is not responsible for the content of the document and is not responsible for ensuring that the document is prepared on time. That is the responsibility of the person signing the certificate of compliance.

Comment: Will CNQ or RS staff review documentation posted on the CNQ website?

Response: CNQ will review the documentation in both systematic and random reviews to ensure compliance with CNQ Requirements and applicable securities legislation.

PARAGRAPH 3.1(C):

Comment: The words “and the Quotation Agreement;” should be added to the end of the sentence.

Response: We have made the suggested change.

Policy 3: Halts

QUOTATION AGREEMENT — PARAGRAPH 1.1

Comment: CNQ must ensure that the Quotation Agreement clearly defines “halt” and “suspension.”

Response: We believe that the Policy is clear. Halts and suspensions will be treated the same as on the exchanges. Halts, which are normally of brief duration, are instituted to allow

for timely disclosure of material information or to allow for clarification of rumours or rectification of incomplete or inaccurate disclosure. Suspensions, which are normally of longer duration than a halt, are instituted for non-compliance with CNQ Requirements. Halts will be imposed by RS Inc., while suspensions will be imposed by CNQ. We do not believe this needs to be addressed in the Quotation Agreement as that requires the Issuer to comply with CNQ Requirements.

Comment: There may be situations in which the public interest justifies a halt or suspension in quotation of an issuer's securities. However, CNQ should not be able to disqualify an issuer's securities for quotation without notice given that it has the power to suspend trading in an issuer's securities pending the service of a notice of disqualification and the exhaustion of the appeal procedures under Policy 1.

Response: We have deleted the reference to disqualification without notice and refer to the provisions for automatic disqualification following a suspension. CNQ will continue to have the ability to suspend without notice.

POLICY 3 — PARAGRAPH 3.1:

Comment: Items (b) and (c) are duplicative of the requirements for continued listing set out in (b) and (c) of paragraph 3.1 of Policy 2. They should be deleted or conformed to paragraph 3.1 of Policy 2.

Response: We have deleted the list of items and refer to Policy 2. Whereas Policy 2 sets out the requirements, Policy 3 contains the penalty for non-compliance.

Paragraph 3.3

Comment: Since a suspended issuer's securities may continue to trade over the counter or on other markets, CNQ should be required to post reasons for suspending an issuer on the CNQ Website so that persons who continue to trade in its securities are fully informed.

Response: The market will be informed of the reasons for any suspension by notices on the CNQ System and by press release in the same manner as is practiced by the exchanges.

Policy 4: Corporate Governance and Miscellaneous Provisions

Comment: Recent experiences have demonstrated that each company requires an effective corporate governance structure. While we agree with the CNQ policies that there can be no single structure appropriate for all companies, we believe that the lack of an appropriate corporate governance structure should constitute grounds for suspending or de-listing a company. CNQ should consider reviewing the adequacy of the corporate governance structures of its issuers on a periodic basis.

Response: We will closely monitor proposals for regulatory reform that are being considered in Ontario and other jurisdictions to determine if there are any new requirements

that CNQ should adopt.

PARAGRAPH 3.3

Comment: CNQ must ensure that its information collection efforts comply with applicable privacy legislation.

Response: We agree. CNQ will comply with all applicable legislation.

PARAGRAPH 4.1

Comment: The City of Toronto, post municipal amalgamation, covers a very large area and as a result transfer facilities should be available downtown within the “financial district”.

Response: There are relatively few transfer agents operating for public companies. Putting an additional restriction on the location of the agent may limit choice for quoted companies. Although some locations may be inconvenient, we believe it is sufficient that the agent be in the City of Toronto to ensure that transfers are registered in a timely manner.

Policy 5: Timely Disclosure and Posting Requirements

ITEM 2.5

Comment: CNQ issuers are primarily envisioned as being small/micro cap companies which may often be at an early stage of development. As a result their level of earnings may be highly erratic, difficult to predict and difficult to estimate until their financial accounts are finalized. In addition there will unlikely be any analyst’s or other consensus forecast of earnings. Item 2.5 should be amended to encompass only companies that have made forecasts and/or to more limit the requirement of disclosure to that found in Item 2.3.11 which requires “firm evidence of significant increases or decreases in near-term earnings prospects” rather than just an “indication”.

Response: We agree with the thrust of this comment and the Timely Disclosure rules address these concerns. The requirement is intended to reduce the potential for a positive or negative surprise and the opportunity for insider trading in advance of the earnings announcement. A company can decline to provide estimates, in which case it only need disclose increases or decreases in earnings if it has firm evidence (paragraph 2.3.11). If the company releases an earnings estimate, it must make disclosure if internal estimates change materially. Similarly, if the company gives an estimate to an analyst or investor, it should make that estimate public and disclose any subsequent changes.

Comment: Would either of Items 2.5 or 2.3.11 require a resource company which has previously disclosed, perhaps initially a year or two ago, disappointing results from a property, to give disclosure of its intention, in the normal course, to review its property portfolio and the outlook for commodity prices and that such review could lead to a write off which could potentially affect its earnings/loss position materially? Current practice would normally be to not disclose the potentiality of this situation. If it is intended to give early-warning disclosure in this

situation, then perhaps Item 2.3 should specifically include it.

Response: Internal reviews performed by companies “in the normal course” would not normally require advance warning to the market that they are being undertaken, even though they may lead to the writedown of assets. Extraordinary reviews, depending on materiality, may require disclosure.

PARAGRAPH 5.2

Comment: CNQ should consider the addition of a paragraph following Paragraph 5.2 with suggested wording similar to:

Regardless of the timing of the disclosure, the CNQ Issuer must advise the Market Regulator of its content and a copy of the disclosure provided prior to its release. The Market Regulator must also be advised of the proposed method of dissemination.

Response: The suggested requirement would preclude CNQ Issuers from issuing press releases outside of the Market Regulator’s office hours, which may be problematic for issuers with overseas operations. We do not believe that it is necessary. If the Market Regulator is dissatisfied with the content of the news release or the method of dissemination, it can halt trading at the opening the following morning until the matter is corrected.

PARAGRAPH 6

Comment: Broad dissemination of the full text of news releases will be an expense for issuers that will provide little or no benefit. The competition for space in the financial press is fierce and in my experience small/micro cap companies receive virtually no media coverage as a result of news wire services. It should be sufficient for CNQ issuers to be required to file/post news with SEDAR, the CNQ website and each of the major stock quotation services.

Response: Although we share the concern about costs to small issuers, we do not believe that the proposed approach will be sufficient to ensure wide dissemination of news to all investors. Not all investors have Internet access, and those who do would have to continually check to see if new information has been released. Some newswire services will not carry news of smaller issuers. At this time, the only way to ensure the entire press release is as broadly disseminated as possible is through a full-text newswire service. As technologies evolve, CNQ will consider whether other forms of dissemination will provide wide distribution of the news.

PARAGRAPH 10.1

Comment: At the end of the second sentence additional wording should be added to clarify that the Market Regulator should be advised of the impending announcement in advance, where possible. In addition the third sentence should be amended to indicate that the Market Regulator be advised prior to disclosure, where possible.

Response: The suggested wording is consistent with CNQ's intent but the additional clarification is not necessary. The paragraph provides that "[t]he Market Regulator must be notified of the announcement, in advance, in the usual manner."

PARAGRAPH 12.1

Comment: Subsection (d) indicates that the Market Regulator will normally halt where a CNQ Issuer is not in compliance with its quotation agreement, any CNQ Requirement or Ontario securities law. RS does not, in the normal course, have jurisdiction to suspend trading for violations of marketplace requirements and the provision of such jurisdiction would not be consistent with RS's relationship with existing marketplaces. If agreed, the power to impose such suspensions must be provided for in an agreement between CNQ and RS.

Response: We will provide in the agreement that RS will have the power to halt trading where it appears that the Issuer is not in compliance with its quotation agreement, pending a determination by CNQ to suspend the issuer.

PARAGRAPH 13.1

Comment: The documents required to be posted on the CNQ Website under items (b) and (c) are already required to be posted on SEDAR. Obliging issuers to post them on the CNQ Website is unnecessary.

Response: Please see our response to the general comments.

Comment: Issuers are obliged to post their quarterly financial statements on SEDAR. Requiring them to be part of the Quarterly Quotation Statement under item (d) is not necessary.

Response: Please see our response to the general comments.

Comment: Issuers are already obliged to file all press releases and material change reports on SEDAR. We do not see any benefit to obliging them to amend their Quotation Statements under the circumstances set out in item (g) and suggest that, in any event, the deadline of 2 days is too short.

Response: We have deleted the requirement that Issuers file new Quotation Statements following events giving rise to material information, as we believe the burden would far outweigh the benefit given CNQ's other disclosure requirements. The CNQ website will tell investors to review other posted documents, particularly monthly and quarterly reports, to get the complete record.

Comment: We do not believe that Monthly Reports will add any meaningful disclosure to the content of prior press releases and material change reports. We also wish to point out that management of resource issuers are often away for extended periods and the obligation to file a monthly report would conflict with their travel schedules. If an interim update is necessary, we believe that Quarterly and Monthly Reports should be replaced by a mid-year report.

Response: The Monthly Report is intended to provide investors with an ongoing status report. Frequently in the past, junior issuers would announce an intention to undertake a new venture and not follow up with further announcements. Investors would only learn that the project had been abandoned months later, when the issuer had a new project to announce. Requiring management to disclose the status of initiatives on a monthly basis will impose a discipline on this practice. As noted below, we intend to delete the requirement that the Quotation Statement be revised and refiled upon new material information concerning the issuer being disclosed. As the Quotation Statement will only be revised once a year, this will make regular, periodic reporting all the more important.

On review, we do believe that the timeframe for filing is too short if the report is to be current as of the last day of the month, as the case may be. The policy as drafted is not clear as to the exact period to be covered by the report. We intend to clarify this and to provide that the deadline for filing the monthly progress report will be five days following the end of the month. Any logistical problems anticipated can be overcome with reasonable effort on the part of the issuer and CNQ to adjust to difficult circumstances. In such circumstances, alternative arrangements may be made for providing the report may be made by the issuer. Fortunately, the remote location of management from time to time can usually be overcome with current communications technology.

Comment: We believe that most of the information contained in the Quotation Statement is found in the form of annual information form required to be filed under securities laws. We believe that CNQ should permit issuers who file annual information forms under securities laws to satisfy the requirements of item (h) if they file annual information forms with CNQ contemporaneous with filing them on SEDAR. While we recognize that there would be duplication in such a filing, we believe it to be acceptable in light of CNQ's desire to make relevant and current information available on the CNQ Website to investors in one document. We do not see the need to require issuers to generate two separate documents which contain the same information.

Response: Although the Quotation Statement is largely comparable to an AIF, we want it to be filed in the format given so that investors will be able to easily compare one issuer to another and not have to ferret out where a given item of disclosure is. We believe it will be relatively straightforward to cut and paste the material from the AIF into the Quotation Statement.

Comment: The requirement in paragraph 13.1(g) that issuers correct "inaccuracies" in the quotation statement sets a much higher standard than correcting "misleading" statements. This item is too restrictive and should be deleted.

Response: We do not believe it is too onerous to require management to correct any statement in a Quotation statement that it discovers is inaccurate.

Policy 6: Distributions

PARAGRAPH 2.1:

Comment: The minimum issue price of \$0.05 should be removed. We believe that many CNQ issuers will trade at prices which make this a hurdle to raising financing. The determination to raise financing and the price at which it is done should be left to the directors of a company. We believe that a minimum price of \$0.05 is inappropriate for private placements to arm's length purchasers. If CNQ believes that the involvement of insiders in private placements to be a potential problem then we suggest that their participation in private placements at less than \$0.05 be limited to a maximum of 50%.

Response: Experience with CDN has shown that issuing shares at very low prices can lead to excessive dilution of existing shareholders. Given that CNQ will not have a requirement for shareholder approval of private placements, we believe it is appropriate to set a minimum price below which shares cannot be issued.

PARAGRAPHS 2.1 & 2.4

Comment: Price protection for a private placement requested on a confidential basis is limited to 45 days to closing in paragraph 2.4. On a non-confidential basis, under paragraph 2.1, no limitation is set out. Given the difficulties in financing small/micro cap companies, 60 days would be more appropriate.

Response: This will only be an issue if the stock price rises and the private placement price is more than the allowable discount from market at the end of the 45-day period. If the stock price is flat or has fallen, the issuer can cancel the original notice and file a new one. If the price is rising, existing shareholders will be subject to greater dilution from the private placement. Although paragraph 2.1 does not impose a time limit, the issuer must have publicly disclosed the terms of the private placement. We do not believe an issuer would do this without having assured itself that there was a good likelihood that the placement would successfully close within a reasonable period of time.

PARAGRAPH 2.6:

Comment: Form 45-501F1 is publicly available to interested parties. We do not see any need for it to be filed on the CNQ Website. In any event, a Form 45-501F1, if applicable to the transaction, is only required to be filed 10 days after the trade. We do not believe that it is appropriate for CNQ to oblige an issuer to file a form before it is required to be filed under the Securities Act.

Response: We have deleted the requirement to post a Form 45-101F1. The CNQ-specific documentation will continue to be required to be filed forthwith upon closing.

PARAGRAPH 2.7:

Comment: There is no significant value to be derived from posting the documents contemplated by this paragraph. In respect of the legal opinion contemplated by item (b): (i) such opinion would only be addressed to specified parties who could rely upon it (accordingly the posting of such an opinion on the CNQ Website would be potentially misleading since investors might assume that they would avail themselves of it) and (ii) opinions of the sort contemplated by subparagraph (ii) typically only cover jurisdictions in which purchasers are resident (accordingly the requirement to deliver an opinion in additional jurisdictions will result in additional cost to the issuer). The appropriate legal opinion would be one addressed to CNQ and be limited to an opinion that the issuance of the securities has been duly authorized and that they have been issued as fully-paid and non-assessable. This is consistent with the current requirements of the TSX and the TSX Venture Exchange.

Response: We agree with the comments regarding the legal opinions and have amended the policy to state that a legal opinion be provided to CNQ that the securities are duly authorized and issued as fully-paid and non-assessable shares. We will not require any other legal opinions and will not post the opinion on the website or require the issuer to post the opinion. We believe that the other documents required to be posted by this paragraph will complete the posting, notifying investors that the placement has closed and the proceeds have been received.

PARAGRAPH 4.1:

Comment: Current practice of issuers is to file a news release announcing a prospectus offering after the filing of the preliminary prospectus. The dissemination of a press release prior to the filing of a preliminary prospectus may violate section 53 of the Securities Act (Ontario).

Response: The section has been amended to refer to the requirements of the Act.

PARAGRAPH 4.2:

Comment: These documents are available on SEDAR. We do not believe that issuers should be required to post them on the CNQ Website as well.

Response: Please see our response to the general comments.

PARAGRAPH 4.3:

Comment: In respect of the opinion contemplated by item (e), please refer to our comments on paragraph 2.7.

Response: Please see our response to the comment on paragraph 2.7.

SECTION 5

Comment: Incentive stock options have been an area of excessive corporate abuse since the 1990's and should be limited 10% of the outstanding capitalization with any one person limited to 5%. Perhaps early-stage small/micro cap companies could have a bit higher aggregate limit as they do not normally have very large capitalizations and the need for the provision of services without cash compensation is greatest.

Response: Securities legislation contains restrictions on option grants by reporting issuers. CNQ's philosophy is to require disclosure rather than set detailed rules, when appropriate. Many smaller capitalization companies will need to use stock options as compensation mechanisms as they will not be able to pay competitive cash salaries. As with all of our rules, we will review this requirement with the benefit of experience. If abuses are seen, rule changes will be proposed to address them.

PARAGRAPH 5.4:

Comment: Current practice with the TSX and TSX Venture Exchange is for an issuer to file a legal opinion upon the implementation of a stock option plan. This opinion covers all shares which may be issued upon the exercise of options granted under the plan. The current draft of the CNQ policy would require an opinion to be provided by the CNQ issuer upon each grant of options. An opinion provided at the outset will suffice, except for options granted outside of a stock option plan.

Response: We have amended the provision as suggested.

PARAGRAPH 5.5:

Comment: We believe that issuers should be permitted to amend the terms of stock options with shareholder approval.

Response: CNQ does not require shareholder approval for stock option plans. The prohibition on amending options is intended to ensure that issuers do not, through an amendment, change the terms of the options such that they would not have been in compliance with the rules had they originally been adopted on the revised terms. Shareholders and prospective shareholders should be able to rely on the disclosed terms of outstanding options to determine whether the potential dilution resulting from option exercises will be acceptable.

PARAGRAPH 6.1

Comment: It is not essential to price a rights offering 7 trading days in advance of the record date as required in Item 6.1(b). If possible this period should be shortened.

Response: The requirement to set the price in advance is to allow CNQ to provide notification to the market of the terms of the rights offering before the security begins "ex" trading (at which time the price may drop to reflect the dilution caused by the rights offering).

On review, this can be accomplished if the terms are set 5 trading days in advance, and we have amended the rule.

PARAGRAPH 6.7:

Comment: We do not see why it would be necessary to disseminate a news release (contemplated by item (b)) which describes the terms of the rights offering after the rights have expired.

Response: We have amended the provision to refer to the "results" rather than the details of the rights offering.

PARAGRAPH 7.3

Comment: The total number of shares that can be potentially issuable as a result of providing a sweetener to a financing should not exceed the total number of shares issued in the financing, but, as long as this rule is followed, piggy-back warrants should be allowed.

Response: We agree that the alternative suggested could be written and applied in a simple and straightforward manner that would provide issuers with flexibility in financing without creating undue dilution of existing shareholders and have amended our rule accordingly.

PARAGRAPH 7.5:

Comment: We believe that issuers should be able to amend the terms of convertible securities (other than stock options) granted to arms' length parties. CNQ should explain why it has elected not to permit this.

Response: Please see our answer to the comment on paragraph 5.5. We note also that the rule provides for exceptions in extraordinary circumstances.

PARAGRAPH 8.2:

Comment: A corporation is a separate legal entity from its shareholders. We believe it to be unfair and potentially harmful to an issuer and its shareholders for CNQ to hold an issuer responsible for the activities of its control block shareholders.

Response: We believe it is appropriate to hold an issuer responsible for ensuring that officers, directors and promoters who are control block holders make the appropriate postings. We would not take action against the issuer if a bona fide arm's length control block holder (whose actions the issuer cannot control) failed to post the notice.

Policy 7: Significant Transactions and Developments

RELATED PERSON TRANSACTIONS — PARAGRAPHS 1.1(A), 1.3 & 1.5

Comment: It is important to disclose all related party transactions. However the \$10,000 criterion in Item 1.1(a) is a very low threshold, especially as a series of transactions, for undertaking some special action. Consideration should be given to re-drafting Paragraphs 1.3 and 1.5, as it is difficult to easily grasp their meaning.

Response: The threshold was set at \$10,000 because this may be material to a very small cap company and we prefer to have one rule. Given that these are related party transactions which have the potential to be abusive, we erred on the side of over-inclusiveness. We will review the threshold with the benefit of experience.

The language in Paragraphs 1.3 and 1.5 is intended to note that not all related-party transactions that require a filing under Policy 7 constitute "material information" for the purposes of the Timely Disclosure Policy. If a transaction does not constitute "material information," the Issuer need not issue a press release although it must still make the required filings with CNQ. We have reworded the policy to clarify this.

PARAGRAPH 1.7:

Comment: It is not necessary to require issuers to post any of the documents required by this paragraph. CNQ issuers are obliged to issue press releases upon the occurrence of material information relating to significant transactions as well as file and amend Form 10 notices with CNQ. The opinion required by item (b) would not typically be given in a transaction not involving equity securities of the CNQ issuer and would certainly not opine on reporting issuer status in jurisdictions in which no securities are being issued. The requirement to file a Form 6 on closing of a significant transaction is unnecessary since this is already a monthly filing requirement.

Response: We have made the suggested amendment with respect to the opinion. Please refer to our response to the general comments and the previous comment.

INVESTOR RELATIONS COMPENSATION — PARAGRAPH 2.1

Comment: It seems strange to expect the management of issuers to always be prudent with shareholders' funds and to expend monies only when contracted services have been satisfactorily provided i.e. "pay for performance" while specifically restricting management from doing so in the case of investment relations contracts. These restrictions on payment for market performance may lead, in many cases, to this practice being undertaken on a highly undesirable, underground and non-disclosed basis.

Response: This section is intended to address the problems that occur when small cap companies pay persons to promote the stock in the guise of "investor relations activities." The requirement that the pay reflect the value of the services provided is to prevent excessive compensation that is not tied to performance. The restriction on compensation tied

to market performance addresses an important conflict of interest. An investor relations person whose compensation is in whole or in part tied to the company's stock price will have an incentive to influence the price of a company's shares to a degree that is excessive and possibly abusive to the market.

Policy 8 — Fundamental Changes

PARAGRAPH 1.2:

Comment: We do not believe that CNQ should ignore the thresholds set out in Policy 8 in characterizing a transaction as a fundamental change. The tests set out in paragraphs 1.1 and 1.2 are clear and easily determined. We do not see the need for discretion.

Response: The rationale for regulating fundamental changes is twofold. The first is to protect the integrity of the disclosure record. The transaction is of such magnitude that the existing disclosure record is not especially relevant to valuing the company that will result from the transaction, and the market must be assured of complete disclosure. The second is to protect the integrity of the quotation standards, that is, to prevent a company that would not otherwise meet the standards from gaining quotation through the back door.

Experience on the exchanges has shown that, given a bright line test, companies will attempt to structure deals to get around the requirements even though result of the transaction is substantially the same and there is no policy reason to make a differentiation.

PARAGRAPH 1.5:

Comment: In light of the various disclosure obligations imposed under securities and corporate laws in addition to those which are proposed by CNQ, we believe that trading halts in respect of fundamental changes should be limited to the time required to issue a press release rather than encompass the period up to the mailing of any required information circular.

Response: We disagree with the comment. Once an issuer has announced a fundamental change, trading prices will normally rise to reflect the transaction. It will be difficult for the market to efficiently value the company without the disclosure in the information circular.

PARAGRAPH 1.6:

Comment: We note that historical and pro forma financial statements are less relevant in the case of mineral exploration companies. We suggest that the requirement to include historical and pro forma financial statements in information circulars should not apply to mineral exploration companies.

Response: The requirement to provide historical and pro forma financial statements is intended to ensure that essentially the same information is provided to the public as would be required for an IPO. when a company is going public by way of a reverse takeover. Since it is not within CNQ's purview to determine what financial statement disclosure is relevant in

a prospectus, the requirement is necessary to provide a level playing field for either method of going public.

PARAGRAPH 1.8:

Comment: We note that the wording of this paragraph imposes escrow requirements on all principals of the company as opposed to only the principals who acquire shares as a result of the fundamental change? If that is not the intent then the paragraph should be clarified.

Response: As the issuer is substantially a new issuer being quoted for the first time, the same rules should apply. As a fundamental change involves a change of control, the principals of the original issuer will not normally be principals of the resulting issuer.

We also believe that the release periods applicable to escrowed securities should contemplate that issuers will graduate from “emerging issuer” status to “established issuer” status.

Response: The policy does not contemplate that an issuer will achieve established issuer status while trading on CNQ as it has not been included in NP 46-201. CNQ has amended the rule to provide that we may grant a release from escrow if we are satisfied that the circumstances of the company are such that it would be an "established issuer" if it were listed on an exchange.

Comments on the Trading Rules

RULE 1 — SECTION 1-101

Comment: The definition of the term “CNQ Dealer” should reference “User” rather than “Participant”. Reference to “User” would allow CNQ to provide access to CNQ to “Access Persons” as well as “Participants”.

Response: We will not make the change as we do not intend at this time to allow direct access to persons other than CNQ Dealers.

Comment: The definition of “hit order” references orders entered on a “Fill or Kill basis”. “Fill or Kill basis” is not defined in the Rules however “Fill and Kill Order” is defined. The reference should be amended so that it is consistent with the definition for “Fill and Kill Order”.

Response: We have amended the definition to refer to orders entered on a fill or kill basis.

Comment: The definition for “Market Regulator” should note that RS is recognized by the commission as a “self-regulatory organization” not as a “regulation services provider”. The second should read “. . . recognized by the Commission as a *self-regulatory organization capable of providing services as a regulation services provider* . . .”.

Response: Implicit in the recognition of RS as an SRO is recognition that it is an acceptable regulation services provider. Under the CSA Market Operation Rules and Trading Rules, an RSP need not be recognized as an SRO. An exchange or even another QTRS could act as CNQ's market regulator. We believe that the definition used by CNQ is therefore not inaccurate as it is broad enough to cover all types of RSP.

Comment: The definition of the term "significant equity interest" is substantially similar to the definition of the term "control block holder". It may not be necessary to use both terms.

Response: We have deleted the term "significant equity interest" as it is not used in the rules.

RULE 2 — SECTION 2-101

Comment: CNQ may wish to add an additional requirement that a CNQ Dealer be registered as a securities dealer in accordance with the *Securities Act*.

Response: This is covered off by the requirement that the dealer be an Ontario registrant. The intention was not to create a substantive requirement, as securities law provides that dealers must be appropriately registered. Rather, the intent was to clarify that a dealer that is registered in another jurisdiction but not in Ontario is ineligible to be a CNQ Dealer unless and until it is registered in Ontario.

Rule 2 — Section 2-111

Comment: CNQ may wish to consider adding an additional subsection requiring CNQ Dealers to pay all fees and charges owing to the Market Regulator.

Response: We have added this requirement.

RULE 3 — SECTION 3-101

Comment: Subsection 3-101(2)(iii) references the fact that the CNQ System will close at 5:00 p.m. What type of activity will occur on the CNQ System between 4 and 5 p.m.?

Response: The system will only be available for processing trade corrections and cancellations.

RULE 3 — SECTION 3-103

Comment: This section must be consistent with the terms of the services agreement negotiated between RS and CNQ. RS must assess its capability to provide all services.

Response: This section was deleted as it was largely duplicative of provisions of UMIR.

Rule 3 — Section 3-104

Comment: Subsection (2) should clarify that any exemption granted should be in writing.

Response: It is the nature of markets that exemptions must sometimes be granted immediately and orally, as the situation giving rise to the request will pass quickly. CNQ will have internal procedures to ensure that details of all exemption grants and denials (and the supporting rationale) will be kept in writing and reported to the Commission as set out in the recognition order.

RULE 4: TRADING OF QUOTED SECURITIES (GENERAL)

Comment: It appears that most or all of the serious trading problems found on the USA's Bulletin Board have been addressed, but market makers should not be able to extract compensation for acting as principal where there are matching buy and sell client orders. Market makers honour their posted bids and offerings and that the size of these orders be reasonable. The best bids and offers should be posted in order to provide for the narrowest bid-offering spreads. Short selling should be regulated and always subject to disclosure and visible reporting.

Response: The provision that market makers be allowed to charge a reasonable fee for handling client orders is a form of compensation. Given that CNQ is a central limit order book auction market with strict price-time priority, the market maker cannot be compensated with a trading advantage (preferential priority) over other participants so they will not be trading as principal when matching client buy and sell orders as in typical dealer markets. Market makers' bids and offers will be in the Book and will be fully executable. If they are not of a reasonable size given prevailing market conditions there will be an opportunity for a competitive market maker to establish a better market. All client orders given to a market maker will be subject to the UMIR order exposure rule, which requires the market maker to immediately execute or enter the order in the Book. Short selling will be subject to UMIR.

RULE 4 — SECTION 4-101

Comment: Subsection 4-101(1)(a) refers to "Approved Trader". This term is not defined in the CNQ rules, CNQ may wish to reference the TSX Rules.

Response: A definition of "Approved Trader" has been added to Rule 1.

RULE 4 — SECTION 4-108

Comment: This rule should be made explicitly subject to the Universal Market Integrity Rule 8.1 – Client Principal Trading. The requirement to provide a fair price must be considered in context with the requirement for price improvement within the Client-Principal Trading Rule.

Response: The rule has been amended to clarify that all other applicable rules apply.

Comment: The number of shares in a trade does not affect its cost.

Response: The rule is intended to address abuses that occurred in the over-the-counter market where securities dealers charged excessive mark-ups to their clients. The rule lists a number of factors and the commentary expands on how those factors will be weighed. For low-priced stocks, there is a danger that even a standard commission could be viewed as excessive when compared to an overall, say, 5% mark-up rule (which is the NASD rule). For example, if a discount broker charged a minimum commission of \$12 on a purchase of 100 shares for \$1, the commission (12%) would appear to be unreasonable if 5% were the standard. However, most people would not view this commission as excessive, recognizing that the commission will be a greater percentage of the value of a very low-priced trade.

RULE 4 — SECTION 4-109(2)

Comment: When and where it is possible to include special terms orders in the opening trades, they should be included. Special terms orders are equally valid orders and they, especially “all or none trades”, may be very much prejudiced if they are not included in what may be the largest volume transactions on the opening.

Response: The opening algorithm is consistent with the post-opening rule that special terms orders have no standing in the regular market. It is also consistent with the opening algorithms of most markets

RULE 4 — SECTION 4-112

Comment: Subsection 4-112(3) references the Market Maker’s obligation to “maintain a two-sided quotation”; CNQ should consider making the obligation to “maintain a *continuous* two-sided quotation. In addition, this subsection references the fact that the Market Maker is obliged to act for a period of at least three months. After the three month period expires can the Market Maker resign? Do they have to provide notice?

Response: The rule has been amended to provide that market makers must maintain a continuous two-sided market and must give 30 days’ advance notice of any intended withdrawal from market making responsibilities.

RULE 4 — SECTION 4-113(2)

Comment: If Market Makers receive any benefits in this trading system as a result of or in return for their role in providing liquidity to the investing public then these benefits should be commensurate with the minimum amount of liquidity they are obliged to provide: one Board Lot.

Response: We anticipate that most CNQ Issuers will greatly benefit from the liquidity that market makers provide, and it is necessary to balance the rewards against the risk. In CNQ’s case, the market maker will receive no trading preference, but will have access to order flow. We do not want to make the burdens so great that firms are not willing to assume the risk of market making.

RULE 4 — SECTION 4-114(2)

Comment: Should Market Makers be entitled to a fee for protecting limit orders? Should not any expenses of the Market Maker in this situation not just be part of his/her obligation and in return for the benefit from order flow? If a fee is allowed in this situation, what would be considered “reasonable”?

Response: See answer to previous comment. What is “reasonable” will be determined in the context of the market and what market makers overall charge. If most market makers do not charge a fee, it will be difficult for a market maker to argue that anything other than a nominal fee is “reasonable.” This issue will also be addressed through CNQ’s allowance for multiple market makers. If a dealer believes that a market maker’s fee is too high, it can become a market maker in that security and attract order flow by charging a lower (or no) fee.

RULE 4 — SECTION 4-115

Comment: If not otherwise provided for, there should be controls upon as well as clear visibility and reporting of all short selling.

Response: Short selling is governed by UMIR. Part 3 of UMIR regulates short sales. UMIR Rule 6.2 requires short sales to be designated as such and UMIR Rule 10.10 requires dealers to report short positions to RS Inc.

UMIR permits a market maker to sell short on a downtick if the sale is required as part of the firm’s obligation to post a two-sided market with a reasonable spread. All market making activity will be through the CNQ system and will be visible. Public market data will not indicate whether the market maker is acting as principal or agent in a particular transaction, but this information will be available to CNQ and RS in real time.

Comment: Subsection 4-112(5) provides CNQ with the discretion to appoint a CNQ Dealer as a Market Maker. CNQ should ensure that this discretion is reflected in the terms of the CNQ Dealer Agreement.

Response: We do not believe the suggested amendment is necessary. Under the CNQ Dealer Agreement, the dealer agrees to comply with all CNQ rules, of which this is one.

Comment: Subsection 4-115(1) should require the Market Maker to advise both CNQ and the Market Regulator of unusual trading or order entry patterns. RS requires such information immediately.

Response: The suggested amendment has been made.

RULE 5 — SECTION 5-110

Comment: Subsection 5-110(1) references “Buy-In Notice” in the second line. This term is not defined.

Response: The term is now defined in Rule 1.

RULE 7 — SECTION 7-102

Comment: The obligations set out in paragraph 7-102 are too broad and do not appear to require any notice provisions. We believe that the extent of these powers are not justified and should not be granted to CNQ without procedural safeguards similar to those contained in Part VI of the Securities Act (Ontario).

Response: The provisions in paragraph 7-102 are comparable to those adopted by other markets and SROs. It is inherent in the concept of self-regulation that the regulated entities not attempt to thwart an investigation. The use of any information collected in a disciplinary matter will be governed by the procedural requirements of Rule 7 and UMIR and will be subject to a right of appeal to the Commission and, ultimately, the courts.

RULE 7 — SECTION 7-104

Comment: Should CNQ keep the fines made by its own determination?

Response: The recognition orders of the exchanges and the IDA do not put restrictions on use of the proceeds of fines. A requirement should not be imposed on CNQ that is not imposed on the other regulators. CNQ does not intend to use fine revenue as a general revenue source used to fund operating expenses but will use the proceeds to fund investor education and other programmes that benefit the capital markets generally.

RULE 7 — SECTION 7-110

Comment: Subsection 7-110(2) requires that the Market Regulator conduct hearings “in accordance with the procedures established by the Market Regulator”. CNQ should consider changing this to “in accordance with the procedures established or adopted by the Market Regulator” to be consistent with the concept of UMIR.

Response: The suggested amendment has been made.

RULE 9 — SECTION 9-101

Comment: There is no reason why issuers, rather than only the participants in a trade, should not be responsible to some significant extent for compensating market makers. As a result, I believe the Commission should allow issuers to award market makers a limited amount of primary options with the underlying securities being freely-tradeable.

Response: Although a model may be developed which allows for issuers to compensate market makers, at this time there are too many conflicts to allow for easy resolution. If a market maker is compensated by the issuer, will it view its primary obligation as providing a two-sided market or supporting the stock price? If it is the latter, market making activity could lead to pricing distortions.

Rule 10 - Sales Practices

Risk Disclosure Statements - Item 10-105

This disclosure statement requirement for first trades in recommended CNQ-issues appears excessive and could more appropriately be addressed by the CNQ Dealer's retail supervision and compliance operations.

Response: In light of the abuses in the over-the-counter market, we believe it is useful to warn potential investors that CNQ securities are, by and large, more speculative than those traded on exchanges and is similar to the existing requirement for a risk disclosure statement prior to a client's first trade in options. The rule has been revised to mandate the form of disclosure that must be provided to customers.

CNQ wishes to thank the comment writers for taking the time to provide thoughtful comments that have assisted us in improving the CNQ marketplace. Please address any questions concerning this letter to Robert Cook, President and CEO at 416.572.2470 (Robert.Cook@cnq.ca) or Timothy Baikie, General Counsel and Secretary at 416.572.2282 (Timothy.Baikie@cnq.ca).

Yours truly,

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Recognition Order

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**IN THE MATTER OF THE SECURITIES ACT, R.S.O. 1990,
CHAPTER S.5, AS AMENDED (the "Act")**

AND

**IN THE MATTER OF CANADIAN TRADING AND QUOTATION INC.
RECOGNITION ORDER**

(Section 21.2.1)

WHEREAS the Canadian Trading and Quotation System Inc. (CNQ) has applied for recognition as a quotation and trade reporting system pursuant to section 21.2.1 of the Act;

AND WHEREAS CNQ will operate a screen-based, automated electronic marketplace;

AND WHEREAS CNQ has agreed to the terms and conditions set out in Schedule A;

AND WHEREAS the Commission has received certain representations and undertakings from CNQ in connection with CNQ's application for recognition as a quotation and trade reporting system;

AND WHEREAS the Commission has determined that the recognition of CNQ would not be prejudicial to the public interest;

The Commission hereby recognizes CNQ as a quotation and trade reporting system pursuant to section 21.2.1 of the Act, subject to the terms and conditions attached at Schedule A.

DATED February 28, 2003.

"Paul Moore"

"Howard Wetston"

SCHEDULE A

TERMS AND CONDITIONS

1. CORPORATE GOVERNANCE

- (a) CNQ's arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules, policies and other similar instruments (Rules) of CNQ, namely, the governing body, are such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of CNQ (CNQ Dealer) and companies seeking to be quoted on CNQ (CNQ Issuer), and a reasonable number and proportion of directors will be "independent" in order to ensure diversity of representation on the Board. An independent director is a director that is not:
- i) an associate, director, officer or employee of a CNQ Dealer;
 - ii) an officer or employee of CNQ or its affiliates;
 - iii) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of CNQ; or
 - iv) a person who owns or controls, directly or indirectly, over 10% of CNQ.

In particular, CNQ will ensure that at least fifty per cent (50%) of its directors will be independent. In the event that at any time CNQ fails to meet such requirement, it will promptly remedy such situation.

- (b) Without limiting the generality of the foregoing, CNQ's governance structure provides for:
- (i) fair and meaningful representation on its governing body, in the context of the nature and structure of CNQ, and any governance committee thereto and in the approval of Rules;
 - (ii) appropriate representation of independent directors on any CNQ Board committees; and
 - (iii) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of CNQ generally.

2. FITNESS

In order to ensure that CNQ operates with integrity and in the public interest, each person or company that owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ is a fit and proper person and the past conduct of each person or company that

owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ affords reasonable grounds for belief that the business of CNQ will be conducted with integrity.

3. FAIR AND APPROPRIATE FEES

- (a) Any and all fees imposed by CNQ will be equitably allocated. Fees will not have the effect of creating barriers to access and must be balanced with the criteria that CNQ will have sufficient revenues to satisfy its responsibilities.
- (b) CNQ's process for setting fees will be fair, appropriate and transparent.

4. ACCESS

- (a) CNQ's requirements permit all properly registered dealers that are members of a recognized SRO and satisfy access requirements established by CNQ to access the facilities of CNQ.
- (b) Without limiting the generality of the foregoing, CNQ will:
 - (i) establish written standards for granting access to CNQ Dealers trading on CNQ;
 - (ii) not unreasonably prohibit or limit access by a person or company to services offered by it; and
 - (iii) keep records of
 - (A) each grant of access including, for each CNQ Dealer, the reasons for granting such access, and
 - (B) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

5. FINANCIAL VIABILITY

- (a) CNQ will maintain sufficient financial resources for the proper performance of its functions.
- (b) CNQ will calculate and report those financial ratios described below to permit trend analysis and provide an early warning signal with respect to the financial health of the company.
- (c) CNQ will maintain: (i) a liquidity measure greater than or equal to zero; (ii) a debt to cash flow ratio less than or equal to 4.0/1; and (iii) a leverage ratio less than or equal to 4.0/1. For this purpose:

- (i) liquidity measure is:
- (working capital + borrowing capacity)
- 2 (adjusted budgeted expenses + adjusted capital expenditures – adjusted revenues)
- where:
- (A) working capital is current assets minus current liabilities,
- (B) borrowing capacity is the principal amount of long term debt available to be borrowed under loan or credit agreements that are in force,
- (C) adjusted budgeted expenses are 95% of the expenses (other than depreciation and other non-cash items) provided for in the budget for the current fiscal year,
- (D) adjusted capital expenditures are 50% of average capital expenditures for the previous three fiscal years, (except that in each of the first three years, adjusted capital expenditures shall be determined as follows:
- in the first year after recognition (Year 1), 50% of 1/3rd of Start Up Capital Expenditures;
 - in the second year after recognition (Year 2), 50% of [1/3rd (2/3rd Start-up Capital Expenditures plus Year 1 Capital Expenditures)]; and,
 - in the second year after recognition (Year 3), 50%[1/3rd(1/3rd Start-up Capital Expenditures plus Year 1 Capital Expenditures plus Year 2 Capital Expenditures)]
- where Start-up Capital Expenditures are the total Capital Expenditures prior to the commencement of quotation and trading on CNQ and*
- (E) adjusted revenues are 80% of revenues plus 80% of investment income for the previous fiscal year,
- (ii) debt to cash flow ratio is the ratio of total debt (including any line of credit drawdowns, term loans (current and long-term portions) and debentures, but excluding accounts payables, accrued expenses and other liabilities) to EBITDA (or earnings before interest, taxes depreciation and amortization) for the previous month multiplied by 12, and
- (iii) financial leverage ratio is the ratio of total assets to shareholders' equity,

in each case following the same accounting principles as those used for the audited financial statements of CNQ, except as provided in paragraphs "h" and "i" below.

- (d) On a quarterly basis (along with the quarterly financial statements required to be filed pursuant to paragraph 10), CNQ will report to the Commission the monthly calculation of the liquidity measure and debt to cash flow and financial leverage ratios, the appropriateness of the calculations and whether any alternative calculations should be considered.
- (e) Except as provided in “g” below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio in any month, it shall immediately report to the Commission or its staff.
- (f) Except as provided in “g” below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its President will immediately deliver a letter advising the Commission or its staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem, and CNQ will not, without the prior approval of a Director of the Commission, make any capital expenditures not already reflected in the financial statements, or make any loans, bonuses, dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for at least six months.
- (g) Recognizing that CNQ is a start-up operation expecting to incur losses during the first year of operations, paragraphs “e” and “f” above shall not apply during the first year of operations if the debt to cash flow ratio is negative or greater than 4.0/1, but CNQ will not, without the permission of the Director, make any loans, bonuses, cash dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for six months, except for bonuses payable to employees under a profit sharing bonus plan included in the forecast financial statements provided to the Commission as part of the application for recognition.
- (h) CNQ may recognize the subordinated, convertible debentures described in the term sheet dated November 29, 2002 (“Subordinated, Convertible Debentures”) as equity for the purposes of calculating the financial ratios in paragraph “c” above, provided that:
 - (i) the amount of the Subordinated, Convertible Debentures recognized as equity should not exceed \$5,000,000;
 - (ii) CNQ shall not repay the Subordinated, Convertible Debentures or pay cash interest on the Subordinated, Convertible Debentures if such payment will result in CNQ not meeting the financial ratios; and
 - (iii) prior to making a cash interest payment or principal repayment, CNQ should demonstrate to the satisfaction of the Commission that it will continue to meet the financial ratios after payment.

- (i) CNQ may recognize the debts owed by CNQ described in the subordinated agreement dated December 23, 2002 between 1141216 Ontario Limited, Wendsley Lake Corporation, CNQ and The Business, Engineering, Science & Technology Discoveries Fund Inc. ("Junior Debt") as equity for the purposes of calculating the financial ratios in paragraph "c" above, provided that:
 - (i) CNQ shall not repay the Junior Debt or pay cash interest on the Junior Debt if such payment will result in CNQ not meeting the financial ratios; and
 - (ii) prior to making a cash interest payment or principal repayment, CNQ should demonstrate to the satisfaction of the Commission that it will continue to meet the financial ratios after payment.

6. REGULATION

- (a) CNQ will maintain its ability to perform its regulation functions including setting requirements governing the conduct of CNQ Dealers and CNQ Issuers and disciplining CNQ Dealers and CNQ Issuers.
- (b) CNQ has retained and will continue to retain Market Regulation Services Inc. (RS Inc.) as a regulation services provider to provide, as agent for CNQ, certain regulation services which have been approved by the Commission. CNQ will provide to the Commission, on an annual basis, a list outlining the regulation services performed by RS Inc. and the regulation services performed by CNQ. All amendments to those listed services are subject to the prior approval of the Commission.
- (c) CNQ will provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report will be in such form as may be specified by the Commission from time to time.
- (d) CNQ will perform all other regulation functions not performed by RS Inc.
- (e) Management of CNQ (including the President and CEO) will at least annually assess the performance by RS Inc. of its regulation functions and report to the Board, together with any recommendations for improvements. CNQ will provide the Commission with copies of such reports and shall advise the Commission of any proposed actions arising therefrom.
- (f) CNQ shall provide the Commission with the information set out in Appendix A, as amended from time to time.

7. CAPACITY AND INTEGRITY OF SYSTEMS

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, CNQ will:

- (a) on a reasonably frequent basis, and in any event, at least annually,
 - (i) make reasonable current and future capacity estimates;
 - (ii) conduct capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;
 - (iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;
 - (iv) review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards, and natural disasters;
 - (v) establish reasonable contingency and business continuity plans;
- (b) annually, cause to be performed an independent review and written report, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (a) and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review; and
- (c) promptly notify the Commission of material systems failures and changes.

8. PURPOSE OF RULES

- (a) CNQ will establish Rules that are necessary or appropriate to govern and regulate all aspects of its business and affairs.
- (b) More specifically, CNQ will ensure that:
 - (i) the Rules are designed to:
 - (A) ensure compliance with securities legislation;
 - (B) prevent fraudulent and manipulative acts and practices;
 - (C) promote just and equitable principles of trade;
 - (D) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and
 - (E) provide for appropriate discipline.
 - (ii) the Rules do not:

- (A) permit unreasonable discrimination among CNQ Issuers and CNQ Dealers; or
 - (B) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.
- (iii) the Rules are designed to ensure that its business is conducted in a manner so as to afford protection to investors.

9. RULES AND RULE-MAKING

CNQ will comply with the rule review process set out in Appendix B, as amended from time to time, concerning Commission approval of changes in its Rules.

10. FINANCIAL STATEMENTS

CNQ will file unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of each year end, prepared in accordance with generally accepted accounting principles.

11. DISCIPLINE RULES

- (a) CNQ will ensure, through Market Regulation Services Inc. and otherwise, that any person or company subject to its regulation is appropriately disciplined for violations of securities legislation and the Rules.
- (b) CNQ will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation.

12. DUE PROCESS

CNQ will ensure that:

- (a) its requirements relating to access to the facilities of CNQ, the imposition of limitations or conditions on access and denial of access are fair and reasonable;
- (b) parties are given an opportunity to be heard or make representations; and
- (c) it keeps a record, gives reasons and provides for appeals of its decisions.

13. INFORMATION SHARING

CNQ will share information and otherwise co-operate with the Commission and its staff, the Canadian Investor Protection Fund, other Canadian exchanges and recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions.

14. ISSUER REGULATION

- (a) CNQ has sufficient authority over its issuers.
- (b) CNQ carries out appropriate review procedures to monitor and enforce issuer compliance with the Rules.
- (c) CNQ will amend its Policies and Forms, from time to time, at the request of the Director, Corporate Finance, to reflect changes to the disclosure requirements of Ontario securities law.

15. CLEARING AND SETTLEMENT

CNQ has appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission for the purposes of the *Securities Act* (Ontario).

16. TRANSPARENCY REQUIREMENTS

CNQ will comply with the pre-trade and post-trade transparency requirements set out in National Instrument 21-101 Marketplace Operation.

17. ADDITIONAL INFORMATION

- (a) CNQ has completed and submitted Form 21-101F1 (including the exhibits) to the Commission.
- (b) CNQ will provide the Commission with any additional information the Commission may require from time to time.

Appendix A

Information to be filed

1. Quarterly Reporting on Exemptions or Waivers Granted

On a quarterly basis, CNQ will submit to the Commission a report summarizing all exemptions or waivers granted pursuant to the rules, policies or other similar instruments (Rules) to any CNQ Dealer or CNQ Issuer during the period. This summary should include the following information:

- (a) The name of the CNQ Dealer or CNQ Issuer;
- (b) The type of exemption or waiver granted during the period
- (c) Date of the exemption or waiver, and
- (d) A description of CNQ staff's reason for the decision to grant the exemption or waiver.

2. Quarterly Reporting on Quotation Applications

On a quarterly basis, CNQ will submit to the Commission a report containing the following information:

- (a) The number of quotation applications filed;
- (b) The number of quotation applications that were accepted;
- (c) The number of quotation applications that were rejected and the reasons for rejection, by category;
- (d) The number of quotation applications that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category;
- (e) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change;
- (f) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change that were accepted;
- (g) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change that were rejected and the reasons for rejection, by category;
- (h) The number of quotation applications filed by CNQ Issuers as a result of a

Fundamental Change that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category.

In each of the foregoing cases, the numbers shall be broken down by industry category and in any other manner that a Director of the Commission requests.

3. Notification of suspensions and disqualifications

If a CNQ Issuer has been suspended or disqualified from qualification for quotation, CNQ will immediately issue a press release setting out the reasons for the suspension and file this information with the Commission.

Appendix B

Rule Review Process

1. CNQ will file with the Commission each new or amended rule, policy and other similar instrument (Rules) adopted by its Board.
2. More specifically, CNQ will file the following information:
 - (a) the proposed Rule;
 - (b) a notice of publication including:
 - (i) a description of the proposed Rule and its impact;
 - (ii) a concise statement, together with supporting analysis, of the nature, purpose and effect of the Rule;
 - (iii) the possible effects of the Rule on marketplace participants, competition and the costs of compliance;
 - (iv) a description of the rule-making process, including a description of the context in which the proposed Rule was developed, the process followed, the issues considered, the consultation process undertaken, the alternative approaches considered and the reasons for rejecting the alternatives;
 - (v) where the proposed Rule requires technological changes to be made by CNQ, CNQ Dealers or CNQ Issuers, CNQ will provide a description of the implications of the Rule and, where possible, an implementation plan, including a description of how the Rule will be implemented and the timing of the implementation; and
 - (vi) a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the proposed Rule to the rule of the other jurisdiction.
3. The Commission will publish for a 30 day comment period in its bulletin or on its website the notice filed by CNQ and the proposed Rule. If amendments to the Rule are necessary as a result of comments received, the Commission shall have discretion to determine whether the Rule should be re-published for comment.
4. A Rule will be effective as of the date of Commission approval or on a date determined by CNQ, whichever is later.

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5. If CNQ is of the view that there is an urgent need to implement a Rule, CNQ may make a Rule effective immediately upon approval by CNQ's board of directors provided that CNQ:
 - (a) provides the Commission with written notice of the urgent need to implement the Rule prior to the submission of the Rule to CNQ's board of directors; and
 - (b) includes in the notice referenced in 2(b)(ii) an analysis in support of the need for immediate implementation of the Rule.
 6. If the Commission does not agree that immediate implementation is necessary, the Commission will advise CNQ that it disagrees and provide the reasons for its disagreement. If no notice is received by CNQ within 5 business days of the Commission receiving CNQ's notification, CNQ shall assume that the Commission agrees with its assessment.
 7. A Rule that is implemented immediately shall be published, reviewed and approved in accordance with the procedure set out above. Where the Commission subsequently disapproves a Rule that was implemented immediately, CNQ shall repeal the Rule and publish a notice informing its marketplace participants.
 8. The terms, conditions and procedures set out in this section may be varied or waived by the Commission. A waiver or variation may be specific or general and may be made for a time or for all time.

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CNQ Rules

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RULE 1

INTERPRETATION AND GENERAL PROVISIONS

1-101 Definitions

- (1) Unless otherwise defined or interpreted or the subject matter or context otherwise requires, every term used in these Rules 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 or interpreted in subsection 1.1(3) of National Instrument 14-101 has the meaning ascribed to it in the subsection;
 - (d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that subsection;
 - (e) defined or interpreted in Part 1 of National Instrument 21-101 has the meaning ascribed to it in that part;
 - (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.

- (2) In these Rules, unless the subject matter or context otherwise requires:

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

“Approved Trader,” for the purposes of Rule 4-101, means a trader approved as such by the Toronto Stock Exchange or the TSX Venture Exchange.

“ask” or **“offer”** means the lowest price of an order to sell at least one Board Lot of a particular quoted security posted in the CNQ System.

“bid” means the highest price of an order to buy at least one Board Lot of a particular quoted security posted in the CNQ System.

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

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

“**Buy-in Notice**” means a notice issued by the Clearing Corporation to a CNQ Dealer that has defaulted in settling a CNQ Contract.

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

“**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.

“**Client Matching Order**” means a client hit or take order.

“**CNQ**” means Canadian Quotation and Trading 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 or the Rules.

“**CNQ Contract**” means any contract:

- (a) to buy or sell any quoted security, if such contract is made through the facilities of CNQ; or
- (b) for delivery of and payment for any quoted security (or security which was a quoted security when the contract was made) arising from settlement through the Clearing Corporation.

“**CNQ Dealer**” means a Participant which has applied to CNQ for, and has been approved by CNQ to 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) these Rules;
- (b) the 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 provide 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 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.

“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 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 Dealer shall, in the absence of evidence of the contrary, be deemed to affect materially the control of that CNQ Issuer or Dealer.

“COP” or **“Calculated Opening Price”** means the price established by the CNQ System for the opening of trading in a CNQ security.

“cross” means a trade entered by a CNQ Dealer holding matching buy and sell orders.

“CSA Marketplace Rules” means National Instrument 21-101 and companion policy and National Instrument 23-101 and companion policy, as amended from time to time.

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

“Designated Market Maker” means, in respect of a particular Market Maker security, the CNQ Dealer or Dealers appointed as Market Maker for that security.

“Fill or Kill Order” means an order that is filled immediately, in whole or in part, with any unfilled balance cancelled from the CNQ System and **“fill or kill basis”** means entering an order as a Fill or Kill Order.

“**hit order**” means a market or limit order entered on a Fill or Kill basis to sell up to the amount available on the bid.

“**holding company**” means a corporation that holds, directly or indirectly and alone or in combination with any other person, securities of a CNQ Dealer:

- (a) carrying 50 per cent or more of the votes carried by all voting securities;
- (b) carrying the right to receive 50 per cent or more of any distribution of earnings; or
- (c) accounting for 50 per cent or more of the total capital or equity.

“**limit order**” means an order to buy at no higher than a specified price and an order to sell at no lower than a specified price.

“**Market Maker**” means a CNQ Dealer approved as such for a particular quoted security.

“**Market Maker security**” means a quoted security for which one or more CNQ Dealers have been appointed as Market Maker.

“**market order**” means an order to buy or sell at the best available price.

“**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 retained by CNQ as an acceptable regulation services provider.

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

“**notice**” means a communication or document to be given, sent, delivered or served by CNQ pursuant to CNQ Requirements to any person subject to these Rules.

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

“**quotation**” means an order to buy and an order to sell a security of a CNQ Issuer entered into the CNQ System by a Market Maker in its capacity as such;

“quoted company” means a CNQ Issuer which has one or more classes of its securities quoted on the CNQ System.

“quoted security” means a security of a CNQ Issuer quoted on the CNQ System.

“recognized self-regulatory organization” means a self-regulatory organization recognized by the Commission.

“registered representative” means a person who has been approved as such by the appropriate recognized self-regulatory organization.

“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 particular CNQ Dealer, a person that:

- (a) is an affiliated entity of the CNQ Dealer;
- (b) is a control block holder of the CNQ Dealer or of which the CNQ Dealer is a control block holder

which carries on as a substantial part of its business in Canada that of a broker, dealer or advisor in securities and is not a CNQ Dealer.

“Related Person” means, in respect of a particular CNQ Dealer:

- (a) a Related Entity;
- (b) an employee of the CNQ Dealer or Related Entity;
- (c) partners, directors and officers of the CNQ Dealer or Related Entity;
- (d) such other person as may be designated from time to time by CNQ.

“Rules” means these rules as adopted by the CNQ Board as amended, supplemented and in effect from time to time.

“Securities Act” means the *Securities Act*, R.S.O. 1990, c. S.5 as amended from time to time.

“settlement day” means any Trading Day on which settlements in quoted securities may occur through the facilities of the Clearing Corporation.

“Statutory Holiday” means such day or days as may be designated by the CNQ Board or established by law applicable in Ontario.

“**take order**” means a market or limit order entered on a Fill or Kill basis to buy up to the amount available on the offer.

“**Toronto**” means the City of Toronto as the same may be constituted from time to time, and in the event that the City of Toronto shall at any time cease to exist, shall mean the municipality in which the registered office of CNQ is located.

“**Trading Day**” means a Business Day during which trades are executed on the CNQ System.

“**UMIR**” means the Universal Market Integrity Rules adopted by the Market Regulator as amended from time to time.

“**unpriced order**” means an order to buy at the ask or to sell at the bid.

1-102 Interpretation

- (1) In determining the value of an order for the purposes of these rules, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated by multiplying the number of shares to be bought or sold under the order by:
 - (a) in the case of a limit order, the specified maximum price (for a buy order) or minimum price (for a sell order);
 - (b) in the case of a market buy order, the offer; and
 - (c) in the case of a market sell order, the bid.
- (2) For the purpose of determining the “last sale price” where a sale of at least a Board Lot of a quoted security has not occurred in the CNQ System on a trading day, the last sale price is the price:
 - (a) of the last sale of the security on the CNQ System;
 - (b) at which the security was issued, if the security has not previously traded on a market place; or
 - (c) which has been accepted by the Market Regulator, in any other circumstance.
- (3) For the purpose of determining the price at which a security is trading for the purposes of the definition of “Board Lot”, the price shall be the last sale price of the particular security.
- (4) For the purposes of these Rules,

“**person**” includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust; and

“**trade**” has the meaning ascribed to it in the *Securities Act* and, in addition, includes a purchase or acquisition of a security for valuable consideration.

1-103 Exercise of CNQ Powers

- (1) Unless the subject matter or context requires otherwise, wherever CNQ is specified as having any powers, rights, discretion or is entitled to take any action, then the same may be exercised or taken at any time and from time to time on behalf of CNQ by the CNQ Board, the appropriate officers of CNQ or any committee or person designated by the CNQ Board or the President of CNQ, including the Market Regulator.
- (2) Unless the subject matter or context requires otherwise, any exercise of any power, right or discretion or the taking of any action on behalf of CNQ by any person or committee shall be subject to the overall authority of the CNQ Board.

1-104 Rules of Construction

- (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.
- (2) The use of the words “hereof”, “herein”, “hereby”, “hereunder” and similar expressions indicated the whole of the Rules and not only the particular rule in which the expression is used, unless the context clearly indicates otherwise.
- (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.
- (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.
- (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.

- (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.
- (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.
- (8) Any reference to currency refers to lawful money of Canada (unless expressed to be in some other currency).
- (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.

1-105 Appeals of Decisions

- (1) A CNQ Dealer or any person directly affected by a Decision under these Rules, other than a Decision made pursuant to Rule 3-102 or a Decision of the Market Regulator, may appeal such Decision to the CNQ Board.
- (2) A Decision of the CNQ Board may be appealed to the Ontario Securities Commission pursuant to the provisions of the *Securities Act*.
- (3) A Decision of the Market Regulator or Market Integrity Official under these Rules, other than a Decision made pursuant to Rule 3-102, may be appealed pursuant to the provisions of Rule 11.3 of UMIR.

1-106 Deeming Provisions

- (1) CNQ Dealers are Users for the purposes of UMIR and the CSA Marketplace Rules.
- (2) A client who originates an order that is given by a CNQ Dealer to a designated Market Maker is deemed to be a client of the Market Maker for the purposes of these Rules and UMIR.

RULE 2**CNQ DEALERS****2-101 Qualifications**

A dealer applying for approval as a CNQ Dealer shall, prior to being approved as a CNQ Dealer:

- (a) be an Ontario registrant and a member in good standing of the Investment Dealers Association of Canada or such other recognized self-regulatory organization as may be prescribed by CNQ from time to time; and
- (b) meet such standards as may be prescribed from time to time.

2-102 Application

An application for approval as a CNQ Dealer shall be made in such form and contain such information as CNQ may from time to time require.

2-103 Approval as a CNQ Dealer

CNQ may:

- (a) approve a dealer as a CNQ Dealer unconditionally;
- (b) approve a dealer as a CNQ Dealer subject to such terms and conditions as may be considered appropriate or necessary to ensure compliance by the dealer with CNQ Requirements; or
- (c) refuse the application if, after having regard to such factors as CNQ may consider relevant including, without limitation, the past or present conduct, business or condition of the dealer or any of its directors, senior officers or holders of a significant equity interest, CNQ is of the opinion that:
 - (i) the dealer will not comply with CNQ Requirements,
 - (ii) the dealer is not qualified by reason of integrity, solvency, training or experience, or
 - (iii) such approval is otherwise not in the public interest.

2-104 Rights of Applicant

If CNQ proposes to approve a dealer subject to terms and conditions or to refuse a dealer, the applicant shall be:

- (a) provided with a statement of the grounds upon which CNQ proposes to approve the applicant subject to terms and conditions or to reject an applicant with the particulars of those grounds; and
- (b) entitled to appeal the Decision in accordance with the provisions of Rule 1-104.

2-105 Set Up Fee

- (1) A dealer that has been approved as a CNQ Dealer shall pay, before beginning to trade on the CNQ System, the set up fee as may from time to time be fixed by CNQ.
- (2) If a dealer has not paid the set up fee within 30 days of approval by CNQ, such approval shall lapse.

2-106 Register of CNQ Dealers

CNQ shall keep a register of CNQ Dealers, setting out the name and address of each CNQ Dealer.

2-107 Representative of CNQ Dealer

- (1) A CNQ Dealer that is not an individual shall appoint, in writing, an individual as its representative who shall be a senior officer, director or partner of the CNQ Dealer.
- (2) The representative shall:
 - (a) represent the CNQ Dealer in all dealings with CNQ, with full authority to speak for and bind the CNQ Dealer;
 - (b) ensure that the CNQ Dealer, and the partners, shareholders, directors, officers and employees of the CNQ Dealer comply with CNQ Requirements; and
 - (c) be primarily responsible to CNQ for the conduct of the CNQ Dealer and the partners, shareholders, directors, officers and employees of the CNQ Dealer without in any way limiting the duties and liabilities of others under these Rules.

2-108 Not transferable

Approval and status as a CNQ Dealer is not transferable.

2-109 Related Entities

A Related Entity shall comply with all CNQ Requirements as though it were a CNQ Dealer and each partner, owner, director, officer, shareholder or employee of a Related Entity shall comply with CNQ Requirements as though the Related Entity were a CNQ Dealer, except to the extent that non-compliance with specified provisions may be approved from time to time by CNQ, either generally, individually or by classes.

2-110 Continuing Membership in IDA or SRO

- (1) If a CNQ Dealer is suspended from or ceases to be a member of the Investment Dealers Association of Canada or other prescribed recognized self-regulatory organization, it shall, without hearing or notice, be suspended, such suspension to be deemed an interim order made pursuant to Rule 7-105.
- (2) If, in the opinion CNQ, a CNQ Dealer breaches a requirement of the Investment Dealers Association of Canada or other prescribed recognized self-regulatory organization of which it is a member, CNQ may impose such terms and conditions on the CNQ Dealer as CNQ deems appropriate in the circumstances.

2-111 Fees and Charges

- (1) A CNQ Dealer shall pay such fees and charges as shall be fixed by CNQ and the Market Regulator, which shall become due and payable to the CNQ or the Market Regulator at such time or times and in such manner as CNQ and the Market Regulator shall require.
- (2) If a CNQ Dealer has not paid any fees or charges within 30 days of becoming due and payable, CNQ may, without harm or notice, suspend the CNQ Dealer, such suspension to be deemed an interim order made pursuant to Rule 7-105.

2-112 Notifications

A CNQ Dealer shall give CNQ prior written notice of:

- (a) a change in its name or the name under which it carries on business;
- (b) a change in the address of its head office; and
- (c) a change of its representative.

2-113 Indemnification and Limited Liability of CNQ

- (1) To the extent permitted by law, CNQ and the Market Regulator shall at all times be indemnified and saved harmless by each CNQ Dealer from and against all costs,

charges and expenses (including an amount paid to settle an action or satisfy a judgment and including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings), whatsoever that CNQ or the Market Regulator sustains or incurs in or about any action, suit or proceeding, whether civil, criminal or administrative, and including any investigation, inquiry or hearing, or any appeal therefrom, that is threatened, brought, commenced or prosecuted against CNQ or the Market Regulator or in respect of which CNQ or the Market Regulator is compelled or requested to participate, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by such CNQ Dealer.

- (2) To the extent permitted by law, all costs, charges and expenses indemnified pursuant to Rule 2-113 shall be paid to CNQ by the CNQ Dealer in advance of the final disposition of the matter and shall be paid promptly or at the latest within 30 days after receiving the written request of CNQ.
- (3) By making use of the CNQ Trading and Access Systems, a CNQ Dealer expressly agrees to accept all liability arising from the use of the CNQ Trading and Access Systems.
- (4) CNQ shall not be liable for any loss, damage, cost, expense, or other liability or claim suffered or incurred by or made against a CNQ Dealer as a result of the use by such CNQ Dealer of the CNQ Trading and Access Systems.
- (5) CNQ shall not be liable to a CNQ Dealer for any loss, damage, cost, expense or other liability or claim arising from any:
 - (a) failure of the CNQ Trading and Access Systems, whether temporary or permanent, arising from any cause;
 - (b) negligent, reckless or wilful act or omission of:
 - (i) the Market Regulator or any director, officer or employee of the Market Regulator;
 - (ii) a director, officer or employee of CNQ or member of a committee appointed by CNQ or the Market Regulator; or
 - (iii) an independent contractor retained by CNQ or the Market Regulator; or
 - (c) operation of the CNQ Trading and Access Systems, including without limitation, any halts, suspension or disqualification from quotation of any security.
- (6) No director, officer or employee of CNQ or the Market Regulator or member of a committee appointed by CNQ or the Market Regulator shall be liable for any loss, damage or misfortune whatever that happens in the execution of his or her duties

or in relation thereto, including in the execution of duties, whether in an official capacity or not, for or on behalf of or in relation to CNQ or the Market Regulator or any body corporate or entity which he or she serves or provides services to at the request of or on behalf of CNQ or the Market Regulator, unless the same is occasioned by his or her own willful neglect or default.

- (7) If a legal proceeding that arises directly or indirectly from the use of the CNQ Trading and Access Systems by a CNQ Dealer is brought or threatened against CNQ, the Market Regulator or a person named in Rule 2-113(5)(b), the CNQ Dealer shall reimburse CNQ for:
- (a) all costs, charges, expenses and legal and professional fees incurred to indemnify a person named in Rule 2-113(7);
 - (b) any recovery adjudged against CNQ, the Market Regulator or a person named in Rule 2-113(7) if CNQ or such person is found to be liable; and
 - (c) any payment made by CNQ with the consent of the CNQ Dealer in settlement of such proceeding.

2-114 Good Standing

- (1) No person shall use, exercise or enjoy any of the rights or privileges of a CNQ Dealer unless the person is a CNQ Dealer that has not been suspended or terminated and that has not been deprived of such rights or privileges pursuant to CNQ Requirements.
- (2) A CNQ Dealer that has been suspended or terminated or that has been deprived of some rights or privileges pursuant to CNQ Requirements shall not for that reason alone lose its rights hereunder in respect of any claims it may have against another CNQ Dealer unless such rights are expressly dealt with.

2-115 Termination

- (1) A CNQ Dealer may terminate its status as a CNQ Dealer by giving not less than 3 months written notice to CNQ.
- (2) CNQ may postpone the effective date of termination until it is satisfied that the CNQ Dealer has:
 - (a) complied with CNQ Requirements; and
 - (b) obtained the necessary consents from the recognized self-regulatory organization of which it is a member.

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- (3) CNQ may terminate a CNQ Dealer's status, if CNQ determines, after a hearing conducted according to the rules established under Rule 7, that a CNQ Dealer has:
 - (a) contravened or is not in compliance with a CNQ Requirement; or
 - (b) engaged in conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of CNQ or the public.

2-116 Automatic Suspension

- (1) If a CNQ Dealer becomes insolvent or bankrupt or adjudged to be a defaulter in accordance with Rule 5, the CNQ Dealer shall automatically and without the necessity of any action by CNQ, be suspended as a CNQ Dealer and notice of such suspension shall be provided by CNQ to CNQ Dealers.
- (2) A CNQ Dealer shall be deemed to be insolvent if:
 - (a) the CNQ Dealer is for any reason unable to meet its obligations as they generally become due;
 - (b) the CNQ Dealer has ceased paying its current obligations in the ordinary course of business as they generally become due; or
 - (c) the aggregate of the property of the CNQ Dealer is not, at a fair valuation, sufficient or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due.
- (3) A CNQ Dealer shall be deemed to be bankrupt if the CNQ Dealer has committed an act of bankruptcy as set forth in the *Bankruptcy and Insolvency Act (Canada)*.
- (4) A CNQ Dealer shall forthwith give written notice to CNQ upon the occurrence of any event or act named in Rule 2-116(2) or (3).

RULE 3**GOVERNANCE OF QUOTATION AND TRADING****3-101 Date and Time of Quotation**

- (1) CNQ System shall be open for quotation and trading on each Business Day.
- (2) Unless otherwise changed by CNQ the CNQ System will be accessible by CNQ Dealers between 8:00 a.m. and 5:00 p.m. on each Business Day as follows:
 - (a) the CNQ System will operate in a pre-open state between 8:00 a.m. and 9:29 a.m. on each Business Day;
 - (b) the CNQ System will open at 9:30 a.m. and be open for continuous trading until 4:00 p.m. on each Business Day; and
 - (c) the CNQ System will close at 5:00 p.m. on each Business Day.

3-102 Trading Suspensions and Halts

- (1) The CNQ Board may at any time:
 - (a) suspend quotation and trading on the CNQ System;
 - (b) close the CNQ System; or
 - (c) reduce, extend or otherwise alter the time of operation of the CNQ System.
- (2) The CNQ Board, the Chairman, the President or senior officer designated by the President to act in his or her absence may, in the event of an emergency or a technical problem with the CNQ Trading and Access Systems that is substantially impairing trading or will likely substantially impair trading if not resolved, :
 - (a) suspend all quotation and trading or quotation and trading in particular quoted securities for that Trading Day; or
 - (b) reduce, extend or otherwise alter the time of operation of the CNQ System for that Trading Day.
- (3) The Market Regulator may halt quotation and trading on the CNQ System in any quoted security at any time and for such period of time as the Market Regulator may consider appropriate in the interest of a fair and orderly market.
- (4) Notwithstanding any other provision, the Market Regulator may delay the opening of trading in any quoted security after the customary time of opening for any period in order to assist in the orderly opening of such trading.

3-103 [Repealed]

3-104 General Exemptive Relief

- (1) CNQ may exempt any class of persons or class of transactions from the application of a CNQ Requirement if, in the opinion of CNQ, the provision of such exemption:
 - (a) would not be contrary to the provisions of the *Securities Act* (Ontario) or UMIR and the rules and regulations thereunder;
 - (b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and
 - (c) is warranted after due consideration of the circumstances of such class of persons or class of transactions.

- (2) CNQ or the Market Regulator may exempt any particular person or particular transaction from the application of a CNQ Requirement if, in the opinion of CNQ or the Market Regulator, the provision of such exemption:
 - (a) would not be contrary to the provisions of the *Securities Act* (Ontario) and the rules and regulations thereunder;
 - (b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and
 - (c) is warranted after due consideration of the circumstances of the particular person or transaction

provided that only the Market Regulator may exempt a person or transaction from the application of UMIR.

3-105 General Prescriptive Power

CNQ may prescribe such other terms and conditions, as CNQ considers appropriate in the circumstances, related to:

- (a) trading in quoted securities; and
- (b) settlement of trades in quoted securities.

3-106 General Anti-Avoidance Provision

If, in the opinion of CNQ, a CNQ Dealer has organized its business and affairs for the purpose of avoiding the application of any CNQ Requirement, CNQ may apply such CNQ Requirement to the CNQ Dealer in the same manner as if such provision had directly applied to such CNQ Dealer.

3-107 Changes in CNQ Requirements

- (1) Each CNQ Dealer shall designate an employee to receive CNQ bulletins or other electronic notices from CNQ and shall ensure that the information contained in such notices is disseminated as required throughout the firm.
- (2) Upon sending of the bulletin or notice to the person designated in subsection (1), the firm shall be deemed to be in receipt of such notice and shall immediately comply with any change, suspension, withdrawal or revocation of a CNQ Requirement contained in such bulletin or notice.

RULE 4**TRADING OF QUOTED SECURITIES****TRADING ON THE CNQ SYSTEM****4-101 Access to CNQ System**

- (1) A CNQ Dealer shall not permit any person to trade on the CNQ System unless such person is an Ontario registrant and
 - (a) is an Approved Trader in good standing on the Toronto Stock Exchange or the TSX Venture Exchange;
 - (b) has successfully completed the Trader Training Course of the Canadian Securities Institute; or
 - (c) has completed such other courses to ensure proficiency in the CNQ Rules as CNQ may determine from time to time.
- (2) A CNQ Dealer shall ensure that each person entering orders on the CNQ System is trained in and understands these Rules.
- (3) A CNQ Dealer's trade supervision procedures adopted pursuant to Part 7.1 of UMIR shall include provisions to monitor trading on the CNQ System in compliance with these Rules.

4-102 General Rules Applicable to Order Entry

- (1) Each order entered on the CNQ System shall be subject to any special rule or direction issued by CNQ or the Market Regulator with respect to:
 - (a) clearing and settlement; and
 - (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.
- (2) Each order entered on the CNQ System shall contain in addition to the UMIR required identifiers and designations a designation acceptable to the Market Regulator, if the order is:
 - (a) a Market Maker short sale exempt order; or
 - (b) of a type for which CNQ or the Market Regulator may from time to time require a specific or particular designation.
- (3) A CNQ Dealer entering a client order on CNQ System which is a distribution of a security of a CNQ Issuer being made in reliance on Multilateral Instrument 45-102

shall not enter the client order until the Form 45-102F3 Notice of Intention to Distribute Securities and Accompanying Declaration has been filed with the Commission and posted concurrently by the CNQ Issuer on behalf of the seller on the CNQ.ca website within the time frame prescribed in Multilateral Instrument 45-102.

4-103 Minimum Price Variation

The minimum quotation increment for securities of CNQ Issuers shall be as follows:

Price per security	<u>Increment</u>
less than \$0.50	\$0.005
\$0.50 and higher	\$0.01

4-104 Advantage Goes with Securities Sold

- (1) In all trades of securities of CNQ Issuers, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNQ, the Market Regulator or the parties to the trade by mutual agreement.
- (2) Claims for dividends, rights or any other benefits to be distributed to holders of record of securities of CNQ Issuers on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.
- (3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNQ System, a CNQ Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNQ Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

4-105 Foreign Currency Trading

- (1) A report of a cross trade agreed to in a foreign currency shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent.
- (2) The CNQ Dealer making the cross shall keep a record of the exchange rate used.

TYPES OF ORDERS THAT MAY BE ENTERED

4-106 Entry of Orders for Issues with No Market Maker

- (1) Any CNQ Dealer may enter
 - (a) orders and
 - (b) crosses at any price between the bid and offerinto the CNQ System for a security for which no CNQ Dealer is acting as Market Maker.
- (2) Orders (other than special terms orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.
- (3) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size.

4-107 Entry of Orders for Market Maker Securities

- (1) Subject to Rule 4-107(2), only a Designated Market Maker may enter
 - (a) orders and
 - (b) crosses at any price between the bid and offerinto the CNQ System for a Market Maker security.
- (2) A CNQ Dealer other than a Designated Market Maker may enter into the CNQ System
 - (a) a Client Matching Order or
 - (b) a cross at any price between the bid and askfor such securities after the opening of trading.
- (3) Orders (other than special terms orders, Client Matching Orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.
- (4) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size.
- (5) CNQ Dealers other than a Designated Market Maker shall, subject to Rules 4-107(2) and (6), direct orders to one or more Designated Market Makers.

- (6) A CNQ Dealer may direct part or all of a Client Matching Order to a Market Maker for execution or entry into the CNQ System, including any unfilled portion of the order previously directly entered into the CNQ System by the CNQ Dealer pursuant to Rule 4-107(2).

MARKET INTEGRITY RULES

4-108 Fair Prices

A CNQ Dealer dealing in a CNQ security for its own account with a customer shall buy or sell at a fair price, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that it is entitled to a profit; and if the Dealer acts as agent in any such transaction, it shall not charge the customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service it may have rendered by reason of its experience in and knowledge of such security and the market.

Commentary: Rule 4-108 — Mark-Up Policy

It is a violation of Rule 4-108 for a CNQ Dealer to enter into any transaction with a customer in any CNQ security at any price not reasonably related to the current market price of the security or to charge a commission that is not reasonable. The Ontario Securities Commission has also held that excessive mark-ups are contrary to public policy in several enforcement actions against securities dealers operating in the over-the-counter market.

The following guidelines, which are adapted from the NASD Regulation Inc. IM-2440, apply to dealings with customers in CNQ securities. In addition, CNQ Dealers are reminded that all other applicable rules (for example, the best execution and customer-principal trading rules) also apply to trades subject to Rule 4-108.

(1) General Considerations

- (a) A dealer shall not excessively charge a customer on a transaction in a CNQ security. "Charges," which are referred to as "mark-ups" in this Policy, may take the form of premiums or discounts from the prevailing market price, commissions, or profit from the difference between acquisition and disposition price in a riskless or near-riskless trade. Generally speaking, mark-ups should not be more than 5% of the purchase price, but this is a guideline and not a limit. Depending on the circumstances, a mark-up pattern of 5% or even less may be considered unfair or unreasonable while, in other circumstances, mark-ups above 5% may be justified.
- (b) A Dealer may not justify mark-ups on the basis of expenses that are excessive.
- (c) The mark-up over the prevailing market price is the significant spread from the point of view of fairness of dealings with customers in principal transactions. *In the*

absence of other bona fide evidence of the prevailing market, a Dealer's own contemporaneous cost is the best indication of the prevailing market price of a security.

- (d) Determination of the fairness of mark-ups must be based on a consideration of all the relevant factors, of which the percentage of mark-up is only one.

(2) Relevant Factors

Some of the factors which CNQ Dealers should take into consideration in determining the fairness of a mark-up are as follows:

- (a) *The Availability of the Security in the Market.* In the case of an inactive security the effort and cost of buying or selling the security, or any other unusual circumstances connected with its acquisition or sale, may have a bearing on the amount of mark-up justified.
- (b) *The Price of the Security.* While there is no direct correlation, the percentage of mark-up or rate of commission generally increases as the price of the security decreases. Even where the amount of money is substantial, transactions in lower priced securities may require more handling and expense and may warrant a wider spread.
- (c) *The Amount of Money Involved in a Transaction.* A transaction which involves a small amount of money may warrant a higher percentage of mark-up to cover the expenses of handling.
- (d) *Disclosure.* Any disclosure to the customer, before the transaction is effected, of information that would indicate (i) the amount of commission charged in an agency transaction or (ii) mark-up made in a principal transaction is a factor to be considered. Disclosure itself, however, does not justify a commission or mark-up which is unfair or excessive in light of all other relevant circumstances.
- (e) *The Pattern of Mark-Ups.* While each transaction must meet the test of fairness, CNQ believes that particular attention should be given to the pattern of a Dealer's mark-ups.
- (f) *The Nature of the Dealer's Business.* Different services and facilities are needed by, and provided for, customers of Dealers. If not excessive, the cost of providing such services and facilities, particularly when they are of a continuing nature, may properly be considered in determining the fairness of a Dealer's mark-ups.

(3) Transactions to Which the Policy is Applicable

The Policy applies to trading on the CNQ system, and particular, in the following transactions:

- (a) A transaction in which a Dealer buys a security to fill an order for the same security previously received from a customer. This transaction would include the so-called “riskless” or “simultaneous” transaction.
- (b) A transaction in which the Dealer sells a security to a customer from inventory. In such a case the amount of the mark-up would be determined on the basis of the mark-up over the bona fide representative current market. The amount of profit or loss to the Dealer from market appreciation or depreciation before, or after, the date of the transaction with the customer would not ordinarily enter into the determination of the amount or fairness of the mark-up. If however, the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-up is to be calculated, and not the prevailing market at the time of the trade.
- (c) A transaction in which a Dealer purchases a security from a customer. The price paid to the customer or the mark-down applied by the Dealer must be reasonably related to the prevailing market price of the security. Again, if the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-down is to be calculated, and not the prevailing market at the time of the trade.
- (d) A transaction in which the Dealer acts as agent. In such a case, the commission charged the customer must be fair in light of all relevant circumstances.
- (e) Transactions wherein a customer sells securities to, or through, a Dealer, the proceeds of which are utilized to pay for other securities purchased from, or through, the Dealer at or about the same time. In such instances, the mark-up shall be computed in the same way as if the customer had purchased for cash and in computing the mark-up there shall be included any profit or commission realized by the Dealer on the securities being liquidated, the proceeds of which are used to pay for securities being purchased.

TRADING IN THE SYSTEM

4-109 Trading at the Opening

- (1) Subject to Rules 4-106, 4-107 and 4-114, the following orders may be entered after 8:00 a.m.:
 - (a) limit orders;
 - (b) unpriced orders; and
 - (c) hit and take orders.

- (2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.
- (3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.
- (4) Any quotations and orders that remain unfilled after the opening remain entered on the CNQ System and have time priority based on the actual time of entry.

4-110 Special Terms Orders

- (1) Special Terms Orders are queued in a special terms book, separate from the regular book orders.
- (2) Multiple Special Term Orders at a single limit price are queued by time priority amongst themselves.
- (3) Special fill term orders are eligible for matching with orders from the regular book.
- (4) Special delivery term orders are not eligible for matching with orders from the regular book. Special delivery term orders must trade with orders from the special terms book.

4-111 Trading After the Opening

- (1) A tradeable order, including a Client Matching Order, entered into the CNQ System shall be allocated among offsetting orders on the bid or offer (as the case may be) individually by time priority.
- (2) The undisclosed portion of a partially-disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNQ System at that price.

MARKET MAKERS

4-112 Appointment of Market Makers

- (1) A CNQ Dealer wishing to make a market in a CNQ security shall file notice thereof with CNQ on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by CNQ.
- (2) Subject to Rule 4-101, a CNQ Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.
- (3) A CNQ Dealer approved as a Market Maker must maintain a two-sided continuous quotation for a period of not less than three consecutive calendar months and

must give CNQ at least 30 days advance notice of its intention to relinquish any Market Maker Obligations.

- (4) A CNQ Dealer which ceases to act as a Market Maker in respect of the securities of a CNQ Issuer may not become a Market Maker in the securities of that CNQ Issuer for a period of 30 days.
- (5) CNQ may in its sole discretion designate a CNQ Dealer as a Market Maker in respect of a CNQ security where the CNQ Dealer's trading activities suggest the market will be better served by the CNQ Dealer assuming the responsibilities of a Market Maker.

4-113 Quotations

- (1) *Two-Sided Quotations.* A Designated Market Maker shall
 - (a) buy and sell such security for its own account on a continuous basis, and
 - (b) enter and maintain two sided quotations in the CNQ System.
- (2) *Minimum Size.* A Designated Market Maker's displayed quotation size shall be for at least one Board Lot on each side of the market and may be for larger multiples thereof.
- (3) *Firm Quotations.* A Designated Market Maker that receives a tradeable client order to buy or sell from another CNQ Dealer shall execute the order to at least to the size displayed on the bid or offer (as the case may be).
- (4) *Quotations Reasonably Related to the Market.* A Market Maker shall enter and maintain quotations that are reasonably related to the prevailing market.
- (5) *Reasonably Competitive Quotations.* A Market Maker must enter reasonably competitive quotations for a security into the CNQ System, in the context of the market and over time, that generally do not exceed the average of all Market Maker spreads in that security over time.
- (6) *Autoquote Restrictions.* A Market Maker may not use automatic quotation update techniques or systems that track changes to best ask price and best bid price quotations and automatically generate quotations.

4-114 Limit Order Protection

- (1) A Designated Market Maker shall accept and provide best execution of a client order of a CNQ Dealer (other than another Designated Market Maker in the same security) if the CNQ Dealer declares to the Market Maker that the order is a client order.

- (2) Subject to Rule 4-108, a Market Maker shall be entitled to a commercially reasonable commission or transaction fee for handling a client order, to be negotiated between the Market Maker and the CNQ Dealer.
- (3) A Market Maker is under no obligation to accept or handle a non-client or principal order.

4-115 Additional Requirements

- (1) A Market Maker shall immediately notify CNQ and the Market Regulator of any unusual trading or order-entry patterns in a quoted security that suggests that the security may be subject to manipulative trading practices or unusual volatility.
- (2) A Market Maker shall comply with such additional requirement as may be prescribed from time to time by CNQ or the Market Regulator.
- (3) A Market Maker shall make such reports to the CNQ or Market Regulator as may be prescribed or requested from time to time by CNQ or the Market Regulator.

RULE 5**CLEARING AND SETTLEMENT OF TRADES****5-101 Ability to Clear and Settle**

- (1) Each CNQ Dealer shall:
 - (a) at the time of the entry to the CNQ System of an order for the purchase or sale of a security:
 - (i) be a participant of a Clearing Corporation, or
 - (ii) have entered into an arrangement for the clearing and settlement of trades with a person who is a participant of a Clearing Corporation and such arrangement shall be in a form which is satisfactory to a Clearing Corporation.

5-102 Clearing and Settlement

All trades in securities of CNQ Issuers shall be reported, confirmed and settled through the Clearing Corporation pursuant to the Clearing Corporation's rules and procedures, unless otherwise authorized or directed by CNQ.

5-103 Settlement of CNQ Trades

- (1) Trades in securities of CNQ Issuers shall settle on the third settlement day after the trade date, unless otherwise provided by CNQ or the parties to the trade by mutual agreement.
- (2) Notwithstanding Rule 5-103(1), unless otherwise provided by CNQ or the parties to the trade by mutual agreement:
 - (a) trades on a when issued basis made:
 - (i) prior to the second Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and
 - (ii) on or after the second Trading Day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date,

provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;
 - (b) trades for rights, warrants and installment receipts made:

- (i) on the third Trading Day before the expiry or payment date shall be for special settlement on the settlement day before the expiry or payment date;
- (ii) on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and
- (iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment),

provided selling CNQ Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;

- (c) cash trades in quoted securities for next day delivery shall be settled through the facilities of the Clearing Corporation on the first settlement cycle following the date of the trade or, if applicable, over-the-counter, by noon of the first settlement day following the trade; and
 - (d) cash trades in quoted securities that have been designated by CNQ for same day settlement shall be settled by over-the-counter delivery no later than 2:00 p.m. on the trade day.
- (3) Notwithstanding Rule 5-103(1), a CNQ Contract may specify delayed delivery which shall provide the seller with the option to deliver at any time within the period specified in the contract, and, if no time is specified, delivery shall take place at the option of the seller within thirty days from the date of the trade unless the parties by mutual agreement specify a delivery date more than thirty days from the date of the trade.

5-104 Disputes Regarding Trade Reports

- (1) Where there is a dispute between CNQ Dealers regarding a daily trade report prepared by the Clearing Corporation, or any correction to a trade report, it shall be resolved by CNQ if the parties are unable to resolve the dispute.
- (2) The electronic report of a trade as maintained by CNQ shall be taken as definitive evidence of a trade, and any dispute concerning the transaction record shall be resolved by a Decision of CNQ.
- (3) Unless otherwise directed by CNQ, any trade recorded on the trade report shall stand if CNQ has not been informed of a dispute by the end of the Trading Day following the trade.

5-105 Unreasonable Delay in Settlement

CNQ may take such action as CNQ considers appropriate if, in the opinion of CNQ, settlement of a trade appears to be unreasonably or improperly delayed.

5-106 Compulsory Arbitration

- (1) In the event of any dispute arising between CNQ Dealers regarding a CNQ Contract which has not been settled, such dispute shall be submitted to the decision of three arbitrators, who shall be employees of CNQ Dealers not employed by or affiliated with either Dealer involved in the dispute, selected as hereinafter provided, and the decision of the majority of such arbitrators shall be final and binding on all parties.
- (2) The procedure for the nomination of arbitrators shall be as follows:
 - (a) The CNQ Dealer believing it to be the injured party shall deliver to the CNQ a written memorandum, stating in a summary way the matter in dispute and the redress the CNQ Dealer claims, and naming its arbitrator;
 - (b) CNQ shall forward a copy of such memorandum to the opposite party, who shall within two clear Business Days after receipt thereof file with CNQ a written memorandum containing its statement of the matter in dispute, and naming its arbitrator and CNQ shall forward a copy thereof to the opposite party and copies of both memoranda so filed to the arbitrators named, and they shall proceed within twenty-four hours after receipt of such memoranda to nominate a third arbitrator;
 - (c) If a party fails to name its arbitrator, CNQ may name one for the CNQ Dealer, and in the event of the two arbitrators named failing to nominate the third arbitrator within the time aforesaid the third arbitrator shall be appointed by CNQ.
- (3) The three arbitrators so named shall forthwith give written notice to the parties of the time and place of their first sitting, which shall be held within two days after the appointment of the third arbitrator and shall require them to be present and to produce any books, documents or papers respecting the matter at issue, and at such time and place, or at any other time and place to which they shall give written notice to the parties, the arbitrators shall hear the parties, shall make such inquiries and receive such evidences as they may deem necessary, and shall decide the subject matter in dispute and fix the cost of the reference and shall make their award and forward the same in writing to CNQ which shall give notice of the same to all the parties concerned.
- (4) The award of such arbitration shall be final and not subject to review or appeal, and shall be binding upon all parties concerned and the *Arbitration Act* (Ontario) shall not apply to any such arbitration.

- (5) No CNQ Dealer shall commence legal proceedings against another CNQ Dealer upon any contract or breach of contract with reference to a CNQ Contract unless and until the CNQ Dealer has given due notice thereof to CNQ and has received notice that CNQ has authorized the commencement of such proceedings.

5-107 Corners

- (1) If CNQ is of the opinion that a single interest or group has acquired such control of a quoted security that the quoted security cannot be obtained for delivery on existing CNQ Contracts except at prices and on terms arbitrarily dictated by such interest or group, CNQ may postpone the time for delivery on CNQ Contracts and provide that any CNQ Contract calling for delivery prior to the time established by CNQ shall be settled by the payment to the party entitled to receive such security of a fair settlement price.
- (2) If the parties to any CNQ Contract that is to be settled by payment of a fair settlement price cannot agree on the amount, CNQ shall fix the fair settlement price and the date of the payment after providing each party with an opportunity to be heard.

5-108 When Security Disqualified, Suspended or No Fair Market

- (1) CNQ may postpone the time for delivery on CNQ Contracts if:
 - (a) the security is disqualified from quotation;
 - (b) trading is suspended in the security of a CNQ Issuer; or
 - (c) CNQ is of the opinion that there is not a fair market in the quoted security.
- (2) If CNQ is of the opinion that a fair market in the quoted security is not likely to exist CNQ may provide that CNQ Contracts be settled by payment of a fair settlement price and if the parties to a CNQ Contract can not agree on the amount, CNQ shall fix the fair settlement price after providing each party with an opportunity to be heard.

5-109 Failed Trades in Rights, Warrants and Installment Receipts

- (1) Should fail positions in rights, warrants or installment receipts exist on the expiry or payment date, purchasing CNQ Dealers have the option of demanding delivery of the securities into which the rights, warrants or installment receipts are exercisable, any additional subscription privilege, and any subscription fee payable to a CNQ Dealer, that may be available, such demand shall be made before 4:00 p.m. on the expiry date.
- (2) Where a demand has been made in accordance with Rule 5-109(1), payment by purchasing CNQ Dealers for:

- (a) the rights, warrants or installment receipts shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required; and
 - (b) the securities into which the rights, warrants or installment receipts are exercisable and payment for any additional subscription privilege shall be made upon delivery of the securities.
- (3) Where a demand has not been made in accordance with Rule 5-109(1), settlement shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required.

5-110 Restrictions on CNQ Dealers' Involvement in Buy-ins

- (1) No CNQ Dealer shall knowingly permit any person on whose behalf a Buy-In Notice has been issued to fill all or any part of such order by selling the securities for the account of that person or an associated account and prior to selling to a buy-in, the CNQ Dealer, shall receive written or verbal confirmation that the order to sell is not being placed on behalf of the account of the person on whose behalf the Buy-In Notice was issued or an associated account.
- (2) A CNQ Dealer that issued a Buy-In Notice and the CNQ Dealer against whom a Buy-In Notice has been issued may supply all or a part of the quoted securities provided that the principal supplying the quoted securities is not:
 - (a) the CNQ Dealer;
 - (b) a Related Person; or
 - (c) an associate of any person described in Rules 5-110(2)(a) or (b).
- (3) If quoted securities are supplied by the CNQ Dealer that issued the Buy-In Notice, delivery shall be made in accordance with the terms of the contract thus created, and the CNQ Dealer shall not, by consent or otherwise, fail to make such delivery.

5-111 Defaulters

- (1) If a CNQ Dealer against which a CNQ Contract is closed out under this Rule 5 fails to make payment of the money difference between the contract price and the buy-in price within the time specified or fails to conform to an award of arbitrators under Rule 5-106, the CNQ Dealer concerned shall become a defaulter, and notice of such default shall be provided by CNQ to each CNQ Dealer.
- (2) If a CNQ Dealer makes default in, or fails to meet, or admits or discloses an inability to meet, its liabilities or engagements to the Investment Dealers Association of Canada, the Canadian Investor Protection Fund or to the Clearing Corporation or to another CNQ Dealer or to the public, the CNQ Dealer concerned

may be adjudged a defaulter and notice of such default shall be provided to each CNQ Dealer.

- (3) A CNQ Dealer failing to make delivery to the Clearing Corporation of securities and/or a certified cheque within the time limited by the rules governing the Clearing Corporation may be adjudged a defaulter.

5-112 Verified Statement of Outstanding CNQ Contracts

Where in connection with an audit of a CNQ Dealer, another CNQ Dealer has verified in writing a statement of outstanding CNQ Contracts with the CNQ Dealer, such verification shall be binding and any outstanding CNQ Contracts not disclosed on such statement shall be unenforceable between the CNQ Dealers.

5-113 Delivering CNQ Dealer Responsible for Good Delivery Form

- (1) **Delivering CNQ Dealer Responsible for Form of Certificate** – The delivering CNQ Dealer is responsible for the genuineness and complete regularity of the quoted security, and a certificate that is not in proper negotiable form shall be replaced forthwith by one which is valid and in prior negotiable form, or by a certified cheque in lieu thereof, if a replacement certificate is not available.
- (2) **Where Certificates Delivered Not Acceptable to Transfer Agents** – A CNQ Dealer that has received delivery of a certificate that is not acceptable as good transfer by the transfer agent shall return it to the delivering CNQ Dealer, which shall make delivery of a certificate that is good delivery or of a certified cheque in lieu thereof.

RULE 6

REPORTS

6-101 Confirmation

In addition to the requirements under the *Securities Act* and the rules of the Investment Dealers Association of Canada, a confirmation to a client of a purchase or sale of a quoted security on the CNQ System shall indicate that the trade occurred on the CNQ System.

6-102 Records of Security Positions

A CNQ Dealer shall keep a record showing its security position from day to day and such record shall be kept in a manner as to enable the CNQ Dealer within a reasonable period to show the position on any prescribed date in all securities bought, sold or carried for or in any and all accounts, as well as the long and short position of each account in each security, the number of securities owing to or from the Clearing Corporation, the number of securities hypothecated, the number of securities in transfer and the number of securities on hand. The CNQ Dealer shall make such record available to CNQ or the Market Regulator upon request.

RULE 7**INVESTIGATIONS AND ENFORCEMENT****7-101 Investigations**

CNQ may at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct, business or affairs of any CNQ Dealer or Related Person of a CNQ Dealer under the jurisdiction of CNQ and CNQ may authorize any committee or person to conduct or to assist in the conduct of the investigation.

7-102 Obligations to Provide Information, Books, Records and Papers

Upon the request of CNQ, a CNQ Dealer or any Related Person of a CNQ Dealer under the jurisdiction of CNQ shall forthwith:

- (a) provide any information, books, records and papers in the possession or control of the CNQ Dealer or the Related Person that CNQ determines may be relevant to a matter under review or investigation and such information, books, records and papers shall be provided in such manner and form, including electronically, as may be required by CNQ;
- (b) allow the inspection of, and permit copies to be taken of, any books, records and papers in the possession or control of the CNQ Dealer or the Related Person that CNQ determines may be relevant to a matter under review or investigation; and
- (c) provide a verbal, recorded statement or testimony at a time and place specified by CNQ or the Market Regulator on any issues that CNQ determines may be relevant to a matter under review or investigation in the following manner:
 - (i) in the case of a person other than an individual, by the statement or testimony of any appropriate officer, director or employee, or
 - (ii) in the case of an individual, by a statement or testimony in person.

7-103 Exchange and Provision of Information

CNQ may provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes to:

- (a) a recognized self-regulatory organization;
- (b) a self regulatory organization in a foreign jurisdiction;
- (c) a securities regulatory authority;

- (d) a securities regulatory authority in a foreign jurisdiction;
- (e) another market regulator; and
- (f) such other body or organization as may be prescribed.

7-104 Powers and Remedies

- (1) Where a CNQ Dealer or Related Person of a CNQ Dealer has:
 - (a) contravened any CNQ Requirement; or
 - (b) engaged in any conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of CNQ or the public; or
 - (c) is not in compliance with any CNQ Requirement,CNQ may impose any one or more of the following penalties or remedies against the CNQ Dealer or Related Person:
 - (d) a reprimand;
 - (e) a fine not to exceed the greater of:
 - (i) \$1,000,000, and
 - (ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the violation;
 - (f) the suspension as a CNQ Dealer for the period and upon the terms and conditions, if any, determined by CNQ or the Market Regulator;
 - (g) the revocation, suspension or amendment of the terms and conditions of a previously granted access as a CNQ Dealer;
 - (h) the termination of the person's status as a CNQ Dealer; and
 - (i) any other penalty or remedy determined to be appropriate under the circumstances.
- (2) Fines shall be paid to CNQ.

7-105 Interim Orders

- (1) Where CNQ
 - (a) determines that a CNQ Dealer or Related Person of a CNQ Dealer has engaged in or may engage in any course of conduct, has carried on or otherwise acted in a manner that is detrimental to the interests of CNQ or the public; and
 - (b) considers it necessary for the protection of the public interest,

CNQ may without notice of a hearing impose one or more of the following interim orders against the person:

- (c) the suspension as a CNQ Dealer or any of the rights and privileges of a CNQ Dealer for the period and upon the terms and conditions, if any, determined by CNQ;
 - (d) the imposition of any terms and conditions determined by CNQ that must be satisfied by a CNQ Dealer to continue as a CNQ Dealer;
 - (e) the imposition of any terms and conditions on other persons under the jurisdiction of CNQ relating to the continuance of any business relationships by them with the person against which the interim order is made; or
 - (f) the imposition of any other terms or conditions that CNQ determines to be appropriate.
- (2) An interim order issued by CNQ pursuant to Rule 7-105(1) expires 15 days after the date on which the interim order was made unless:
 - (a) a hearing is commenced within that period of time to confirm or set aside the interim order; or
 - (b) any party against which the interim order is made consents to an extension of the interim order until a hearing of the matter is held.

7-106 Responsibility of CNQ Dealers and of Partners or Directors of CNQ Dealers

- (1) A CNQ Dealer may be found liable by CNQ for the conduct, business or affairs of a Related Person and subject to any penalties as if it had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-106(1), the imposition of any penalties against a CNQ Dealer does not prevent the imposition by CNQ of any penalties against the Related Person.

7-107 Responsibility of Partners and Directors of CNQ Dealers

- (1) Any partner or director of a CNQ Dealer may be found liable by CNQ for the conduct, business or affairs of the CNQ Dealer if such person had responsibility for same and subject to any penalties as if such person had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-107(1), the imposition of any penalties against any partner or director of a CNQ Dealer does not prevent the imposition by CNQ of any penalties against the CNQ Dealer.

7-108 Responsibility of Supervisors

- (1) A Related Person who has authority over, supervises or is responsible to the CNQ Dealer for any Related Person may be found liable by CNQ for the conduct, business or affairs of the supervised Related Person or employee and subject to any penalties as if such person had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-108(1), the imposition of any penalties against a supervising Related Person does not prevent the imposition by CNQ of any penalties against the supervised Related Person.

7-109 Assessment of Expenses

- (1) Upon the conclusion of any proceedings commenced pursuant to the Rules Governing the Practice and Procedure of Hearings, CNQ or the Hearing Committee shall assess against a person under the jurisdiction of CNQ any one or more of the following expenses incurred by CNQ as a result of the proceedings:
 - (a) recording or transcription fees;
 - (b) expenses of preparing transcripts;
 - (c) witness fees and reasonable expenses of witnesses;
 - (d) professional fees for services rendered by expert witnesses, legal counsel or accountants other than full-time CNQ staff;
 - (e) expenses of staff time incurred by CNQ or its agents;
 - (f) travel costs;
 - (g) disbursements; or
 - (h) any other expenses determined to be appropriate under the circumstances.

- (2) Where CNQ conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a person under the jurisdiction of CNQ and determines that the complaint or other communication in the nature of a complaint was unfounded and made in bad faith, CNQ may assess the expenses incurred by CNQ or its agent as a result of the investigation against that person.

7-110 Exercise of Powers by Market Regulator

- (1) The Market Regulator has all of the rights and may exercise all of the powers of CNQ set out in this section, except as otherwise agreed between CNQ and the Market Regulator.
- (2) Any investigation, examination and disciplinary hearing (both interim and final) by the Market Regulator shall be conducted in accordance with the procedures established or adopted by the Market Regulator.

RULE 8**APPLICATION OF UMIR****8-101 Application of UMIR**

The provisions of UMIR and any MR Policies, as amended from time to time, apply to trading on the CNQ System and form part of CNQ Requirements.

RULE 9**REPORTING TRADES****9-101 Secondary Market Options**

- (1) A CNQ Dealer receiving an option to purchase or sell a quoted security shall report the following details of the option to CNQ
 - (a) the trading symbol of the security;
 - (b) the number of units of the security underlying the option;
 - (c) whether the option is a put or call option;
 - (d) the identification of the party granting the option;
 - (e) the exercise price; and
 - (f) such other information as may be prescribed from time to time.

in the format prescribed from time to time by the end of the Business Day on which the option is received.
- (2) If the option is granted after the close of trading, the Dealer shall report prior to the opening of trading on the following Business Day.
- (3) A CNQ Dealer shall immediately report an exercise of all or part of the option to CNQ providing the following information required in Rule 9-101.
 - (a) the trading symbol of the security;
 - (b) the number of units of the security purchased or sold;
 - (c) the purchase or sale price; and
 - (d) such other information as may be prescribed from time to time.
- (4) The CNQ Dealer shall pay the reporting fee prescribed from time to time.

RULE 10**SALES PRACTICES****10-101**

A CNQ Dealer shall not conduct nor permit a Related Person of the CNQ Dealer to conduct sales practices which would be contrary to the public interest or the best interests of its, his or her clients.

10-102

Without limiting the foregoing, no CNQ Dealer or Related Person of a CNQ Dealer shall

- (a) use high pressure sales tactics in order to induce a person to buy, sell or hold a security of a CNQ Issuer;
- (b) take advantage of a person's inability or incapacity to reasonably protect his or her own interest because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to buy, sell, or hold a security of a CNQ Issuer;
- (c) impose terms or conditions that make a transaction in a CNQ Issuer inequitable;
- (d) make any statement which the CNQ Dealer or Related Person knows or reasonably ought to know is false or misleading to induce a client to buy sell or hold a security of a CNQ Issuer; or
- (e) employ a tiered or other sales force structure that purports to relieve a person recommending an order directly or indirectly from a client from the obligation to ensure that the trade is suitable for that client.

10-103

A CNQ Dealer shall not reduce or retract all or any portion of the sales commission paid or payable to a registered representative in connection with a trade in a security of a CNQ Issuer in the event the client to whom the securities were traded resells those securities.

10-104

When recommending any trade with a client in a security of a CNQ Issuer, a CNQ Dealer or the registered representative shall disclose to the client, orally or in writing, the following:

- (a) if the CNQ Dealer is acting as principal (or as agent for another CNQ Dealer acting as principal);

- (b) if the CNQ Dealer will concurrently acquire the securities to supply to the customer in a riskless principal transaction, the CNQ Dealer's cost of acquisition; and
- (c) the security being traded does not have a market maker or the CNQ Dealer is the sole market maker.

10-105

When recommending the first trade with a client in a security of a CNQ Issuer, a CNQ Dealer or the registered representative shall provide a written risk disclosure statement to the client containing the disclosure required by CNQ and the client shall acknowledge receipt of the risk disclosure statement in writing prior to the execution of the first order.

Note: CNQ Dealers shall use the following risk disclosure statement:

Trading on CNQ

There are some important things to consider before investing in an issuer quoted on CNQ.

First, although CNQ has minimum standards that issuers must meet in order to be eligible for quotation, these are lower than the standards for issuers listed on stock exchanges. They should be considered speculative and investors in CNQ issuers should have a tolerance for higher-risk investments. There are no minimum financial requirements for eligibility for continued quotation.

The CNQ standards and rules governing issuers can be found on the www.cnq.ca website by clicking on "Issuer Info" and following the link to "Policies and Procedures."

Second, although CNQ has rules governing share issuances and major transactions by quoted issuers, these rules may be less restrictive than a stock exchange's. CNQ will not generally review or "approve" a transaction in advance or require shareholder approval (unless the transaction constitutes a "fundamental change" under CNQ's issuer policies). Existing shareholders may suffer equity or voting dilution as a result of corporate transactions and may not be able to vote on those transactions.

Third, CNQ issuers must post enhanced disclosure on the CNQ website. This disclosure can be found on the www.cnq.ca website by clicking on "Issuer Info" and "Disclosure Hall." Posting is entirely the issuer's responsibility and CNQ does not assume any responsibility for the timeliness, accuracy or completeness of those postings. CNQ will perform periodic reviews of issuers' disclosure record to determine compliance with applicable securities legislation and CNQ rules.

Fourth, CNQ issuers may have smaller floats of freely-tradeable stock than exchange-listed issuers. CNQ denotes certain issuers as "thin float" issuers at the time of quotation, but floats on other issuers may also be smaller than for exchange-listed stocks.

If a stock has a small float, it is likely to have a larger spread (the difference between the bid, or the highest price at which someone is currently willing to buy and the offer, or the lowest price at which someone is willing to sell) and be less actively traded. An investor who wishes to buy or sell immediately will have to pay the spread, which could be very large relative to the price of the stock.

For example, assume ABC Co. has a bid of \$0.20 and an offer of \$0.25. An investor wishing to buy immediately would have to buy at \$0.25, which is a price 25% higher than the bid. Assuming the market stayed the same, if the investor wished to sell the security immediately, it would be sold at \$0.20 for a 20% loss. A security may have to go up considerably in value for an investor to make a profit after paying the spread and commissions.

An investor could minimize the price of paying the spread by entering a limit order (in the example above, a buy order of \$0.245 or less). However, the less active a stock is, the longer it will normally take for that order to be executed, and it may not be executed at all.

Stocks with small floats also tend to be more volatile as a relatively small order can push the price up or down because there are not enough offsetting orders in the book. The stock may overreact to corporate announcements of material information, going up (or down) in price sharply and then coming back. It is also easier for one person or a group of persons to control a large portion of the float, which could allow them to manipulate the price at which the security is bought and sold, which is against the rules governing trading on CNQ.

If a stock with a small float has only one market maker, it is likely that the market maker will establish the spread, as it will often be the only party willing to buy or sell at a particular point in time. If a stock with a small float does not have a market maker, at times there may be no bid or offer, in which case it will not be possible to trade the stock immediately.

Fifth, CNQ securities may be susceptible to hype. Beware of anyone touting a security as a "sure thing" or "sure to go up" or suggesting that they know information about the issuer that has not been made public. Be particularly wary if the person is not associated with a CNQ dealer. CNQ dealers are prohibited from making misrepresentations in order to induce someone to buy, sell or hold a security of a CNQ issuer, and are prohibited from using high pressure sales tactics. They also must tell you when recommending a trade if their firm is the only market maker in the security (which means they may have established the market), if the firm will trade for its own account with your order (i.e. buy from or sell to you from their inventory of the stock) or if the stock has no market maker.

10-106

In this rule, whether a trade is recommended shall be determined with reference to By-law 1300 of the Investment Dealers Association of Canada and its related policy and guidelines.

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CNQ Policies

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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 (other than certain financial disclosure and interim Management's Discussion and Analysis). 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 annually. 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, guideline 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;
 - (ii) of which the CNQ Issuer is a control block holder;
- (b) a management company or distribution company of a mutual fund that is a CNQ Issuer; or
- (c) a management company or other company that operates a trust or partnership that is a CNQ Issuer.

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

- (a) a Related Entity of the CNQ Issuer;
- (b) partners, directors and officers of the CNQ Issuer or Related Entity;
- (c) a promoter of or person who performs Investor Relations Activities for the CNQ Issuer or Related Entity;
- (d) any person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the CNQ Issuer or Related Entity; and
- (e) such other person as may be designated from time to time by CNQ.

“**Securities Act**” means the *Securities Act*, R.S.O. 1990, c.S.5 as amended from time to time.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**Statutory Holiday**” means such day or days as may be designated by the CNQ Board or established by law applicable in Ontario.

“**stock option**” means an option to purchase shares from treasury granted to an employee, director, officer, consultant or service provider of a CNQ Issuer.

“**Trading Day**” means a business day during which trades are executed on the CNQ System.

“**UMIR**” means the Universal Market Integrity Rules adopted by the Market Regulator as amended from time to time.

“**unrelated director**” means an outside director who has no relationship with the Issuer, in any capacity (e.g. as lawyer, accountant, banker, supplier or customer), save as a shareholder of the Issuer who is not a control block holder.

3.3 *Interpretation.* In these Policies and accompanying forms:

“**person**” includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust.

4. Rules of Construction

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.

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.

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.

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.

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.

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.

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.

- 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 or a Market Integrity Official made pursuant to these Policies may be appealed pursuant to the provisions of Rule 11.3 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 at least 500,000 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)

For example, an issuer that had a public float comprising 25% of the outstanding shares would need to have at least 200 public board lot holders to avoid being a thin float issuer ($35 - (0.05 \times 200) = 25$). If the float were 20% of the outstanding, the issuer would need at least 300 shareholders ($35 - (0.05 \times 300) = 20$). An issuer that has a public float comprising at least 27.5% of the outstanding and that otherwise meets the requirements for quotation would not be a thin float issuer as the formula is satisfied by the minimum number of shareholders ($35 - (0.05 \times 150) = 27.5$). An issuer that has a public float of 10% or less of the outstanding will always be a thin float issuer.

An identifying marker will be added to the Issuer's stock symbol and disclosure on the CNQ.ca website.

- 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

- (i) \$2 million, at least 50% of which has been allocated to at least 2 specific investments, or
- (ii) \$4 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 a 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 Application;
- (c) a draft Quotation Statement (Form 2A) (including financial statements approved by the Issuer's Board of Directors and its Audit Committee, if the Issuer has an Audit Committee);
- (d) a 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 2A) 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) two originally executed copies of the Quotation Summary (Form 2B) 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*.

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, including all reports required to be filed therewith;
 - (ii) the Quotation Summary;
 - (iii) the Quotation Agreement;
 - (iv) the opinions of counsel described in Policy 2 - 2.3(e) and (f);
 - (v) the certificate of good standing described in Policy 2 – 2.3(g);
 - (vi) the reporting issuer certificate described in Policy 2 - 2.3(h);
 - (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.

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, and the terms of the Quotation Agreement;
- (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 co-ordination 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 authorizes CNQ to suspend quotation and trading in a CNQ Issuer's securities without notice and at any time or to disqualify for quotation the securities of a CNQ Issuer 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 fails to meet any of the requirements for continued qualification for quotation; or 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 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) 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, TRADING HALTS 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:
- (a) changes in share ownership that may affect control of the issuer;
 - (b) changes in corporate structure, such as reorganizations, amalgamations, etc.;
 - (c) take-over bids or issuer bids;
 - (d) major corporate acquisitions or dispositions;
 - (e) changes in capital structure;
 - (f) borrowing of a significant amount of funds;
 - (g) public or private sale of additional securities;
 - (h) development of new products and developments affecting the Issuer's resources, technology, products or market;
 - (i) significant discoveries or exploration results, both positive and negative, by resource companies;
 - (j) entering into or loss of significant contracts;
 - (k) firm evidence of significant increases or decreases in near-term earnings prospects;
 - (l) changes in capital investment plans or corporate objectives;
 - (m) significant changes in management;
 - (n) significant litigation;
 - (o) major labour disputes or disputes with major contractors or suppliers;
 - (p) events of default under financing or other agreements; or
 - (q) 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 assess the importance of the information to allow them 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 of the announcement, in advance, in the usual manner. During the period before 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 to be posted concurrently or as soon as practicable following the filing with the Commission or SEDAR or the delivery to shareholders;
 - (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 or such shorter time period as may be specified in securities legislation for issuers that are not exempt from the requirement to provide Management's Discussion and Analysis;
 - (d) a Quarterly Quotation Statement (Form 5) current as of the last day of the relevant quarter, to be posted concurrently with a CNQ Issuer's unaudited interim financial statement required under the *Securities Act* (Ontario);

- (e) a Monthly Progress Report (Form 7) current as of the last day of each month (whether or not the month is also the end of a quarter or year), to be posted before the opening of trading on the fifth trading day of the following month;
- (f) a Certificate of Compliance (Form 6), to be posted concurrently with the filing of the Monthly Progress Report; and
- (g) an annually-updated Quotation Statement completed to reflect all changes to information appearing in the previously posted Quotation Statement to be posted concurrently with the CNQ Issuer's audited annual financial statements.

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 an amended Form 9, if applicable
- 2.7 Forthwith upon closing, the CNQ Issuer must post the following documents:
- (a) a letter of CNQ Issuer confirming receipt of proceeds; and
 - (b) 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.
- 2.8 In addition, forthwith upon closing, the CNQ Issuer must provide CNQ 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 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 must be issued at a price that does not exceed the maximum discount allowable under section 2.1.

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

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

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

3.4 In addition, forthwith upon closing, the CNQ Issuer must provide CNQ 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 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) forthwith upon filing the preliminary prospectus or earlier for a bought deal.

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:
- (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 CNQ Issuer that it has complied and is in compliance with Ontario securities law and CNQ Requirements.
- 4.4 In addition, forthwith upon closing, the CNQ Issuer must provide CNQ 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 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 and any successor instrument. 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 notice of stock option grant or amendment (Form 11) immediately following each grant of stock options by the CNQ Issuer..
- 5.5 In addition, upon the first grant of options under a plan, the CNQ Issuer must provide CNQ 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 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 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 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; 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 CNQ Issuer must provide CNQ 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.

Quotation of Rights on CNQ

- 6.3 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.
- 6.4 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.

- 6.5 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

- 6.6 Rights must be transferable.
- 6.7 (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

- 6.8 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 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 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 quoted securities, the total number of quoted securities issuable under the terms of the convertible securities cannot be greater than the number of quoted 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 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."
- 7.5 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 oral or written contract for Investor Relations Activities relating to the CNQ Issuer by the CNQ Issuer or by any other person of which the CNQ Issuer has knowledge.
- 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 If the significant transaction constitutes material information concerning the CNQ Issuer, the Issuer must disseminate a news release pursuant to Policy 5.
- 1.4 The issuer must include updated information relating to significant transactions and developments in its Monthly Progress Report and Quarterly Quotation Statement.
- 1.5 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.

- 1.6 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 (if the significant transaction constitutes material information concerning the CNQ Issuer) or upon the CNQ Issuer agreeing to the significant transaction (in all other cases).
- 1.7 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.
- 1.8 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); and
 - (b) 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 must be reasonable in proportion to the financial resources and level of operations of the CNQ Issuer and 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. The total number of quoted securities (either issued directly or issuable on exercise of options or convertible securities) provided as compensation to persons providing Investor Relations Activities cannot exceed 1% of the outstanding number of quoted securities in any 12-month period.
- 2.2 Persons performing Investor Relations Activities on behalf of a CNQ Issuer must ensure that they do not engage in any activities requiring registration under the *Securities Act* unless they are appropriately registered.

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. CNQ will allow earlier releases from escrow if it is satisfied that the circumstances of the CNQ Issuer are such that it would be an "established issuer" or "exempt issuer" if it were listed on an exchange and such early release would be permitted under the policy if the CNQ Issuer were an established or exempt issuer.

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 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.
- 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;

- 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.

POLICY 10**SCHEDULE OF FEES****Issuers**

Additional Listing	No Fee
Initial Fee	\$10,000 ⁽¹⁾
<i>Non- Refundable</i>	\$2000
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.

- (1) 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.

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CNQ Forms

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FORM 1A**APPLICATION LETTER****[LETTERHEAD OF APPLICANT]**

[Date]

Canadian Trading and Quotation System Inc.
BCE Place
Canada Trust Tower
27th Floor
161 Bay Street
Toronto, Ontario
M5J 2S1

Dear Sirs/Mesdames:

Re: Qualification for Quotation of [insert name of issuer] (the "Issuer")

The Issuer hereby applies to have its securities qualified for quotation and trading on the Canadian Trading and Quotation System Inc. Quotation and Trading System. There are currently _____ shares issued and outstanding and _____ shares reserved for issuance.

Please find enclosed, in duplicate, Form 1B Quotation Application, Form 2A Quotation Statement, Form 2B Quotation Summary, executed Quotation Agreement, the supporting documents set out in Appendix A to the Quotation Application and a cheque in the amount of \$2,140 representing the non-refundable portion of the application fee of \$2,000 plus GST.

Yours very truly,

[NAME OF APPLICANT ISSUER]

Per: (signature of authorized company representative)

FORM 1B

QUOTATION APPLICATION

General Instructions

Please complete the following application and submit to CNQ in printed form with the application fee and the documents listed in Appendix A.

Part 1

ISSUER INFORMATION

General instruction: In this application, the term “predecessor” means any legal predecessor of the CNQ Issuer and any company with which the Issuer has engaged in a transaction that would give effect to a Fundamental Change.

Initial Application

Application Following Fundamental Change

1.1 Issuer Name:

State the full legal name(s) of Issuer.

1.2 Address:

Please give all addresses. Indicate registered office, head office, mailing, etc.

1.3 Telephone Number:

1.4 Fax Number:

1.5 General e-mail address:

1.6 Website address:

1.7 Jurisdiction of Incorporation:

1.8 Reporting Jurisdictions:

In addition to Ontario please state any other reporting jurisdiction.

1.9 North American Industrial Classification:

Please state your industrial classification below.

1.10 Description of Business:

Briefly describe the business the Issuer is engaged in.

1.11 Class (es) of Shares to be qualified for quotation:

1.12 CUSIP Number(s):

Please provide CUSIP numbers for all shares to be quoted.

1. _____

2. _____

3. _____

1.13 Desired CNQ Symbol

Please specify 3 choices in order of preference. A symbol must be 4 letters and will be subject to availability. CNQ has final approval of any symbol request.

1. _____

2. _____

3. _____

1.14 Trading Currency:

CDN\$ US\$

1.15 Outstanding Shares:

Basic:

Fully Diluted:
(provide details)

1.16 Outstanding Warrants, Rights, Options:

(provide details of terms such as exercise price, expiry date, etc. as well as number outstanding)

<u>Security</u>	<u>Number Outstanding</u>	<u>Details</u>

1.17 Fiscal Year End:

1.18 News Wire Service:

Please specify which Newswire service (s) currently disseminates Issuer press releases.

- Canadian Corporate News (**CCN**)
- Canadian NewsWire Services (**CNW**)
- BCE Emergis, E-News Service
- Other, please state _____

1.19 Issuer Contact Information:

Please provide full contact details of the person to be contacted regarding regulatory matters, accounting/administration and for shareholder inquiries.

Regulatory Contact:

Name:

Address:

Telephone number:

Fax number:

E-mail address:

Accounting/Administrative Contact:

Name:

Address:

Telephone number:

Fax number:

E-mail address:

Investor Relations:

Name:

Address:

Telephone number:

Fax number:

E-mail address:

Other Contacts:

Name:

Address:

Telephone number:

Fax number:

E-mail address:

1.20 Directors, Officers, Promoter and Related Persons

Provide the name, residential address, birth date, place of birth and position or status with the Issuer for each Related Person as defined in CNQ Policy 1. Provide date and jurisdiction of incorporation or formation if not an individual.

(Please provide attachments if additional space is necessary.)

<u>Name and Address</u>	<u>Birthdate and Place of Birth⁽¹⁾</u>	<u>Position with Issuer</u>

(1) *Provide date and jurisdiction of incorporation or formation if not an individual.*

1.21 Predecessor and Related Companies (as defined in CNQ Policy 1)

Names:

Part 2

TRADING INFORMATION

2.1 Transfer and Registration:

Please provide contact information for the company's Transfer Agent (s) and Registrar(s) where (i) transfers may be effected, and (ii) registration facilities are maintained. One of the addresses in each of (i) and (ii) must be in Toronto.

Transfer agent:

Name:

Address:

Telephone number:

Fax number:

E-mail address:

Registrar:

Name:

Address:

Telephone:

Fax number:

E-mail address:

2.2 *Has the Issuer traded on another exchange in Canada? If yes, please provide trading symbol.*

2.3 *Does the Issuer have any other class of shares?*

Part 3

HISTORICAL INFORMATION

3.1 *Has the Issuer (or any of its predecessors) ever applied to have its shares traded on another market and been denied? If yes, please provide the name of the market or markets, dates and the reason why the application was denied.*

3.2 *Has the Issuer or any predecessor ever had trading in its securities halted by a marketplace or been suspended from trading or delisted by a marketplace? If yes, provide details. Do not include routine halts for dissemination of information, halts due to system problems in the marketplace or volatility controls imposed by a marketplace or sector or market-wide halts not specific to the Issuer (e.g. a halt due to circuit breakers for price drops). Be specific when providing reasons (e.g. suspended for failure to meet financial requirements, not "failure to meet exchange requirements"). State whether the action giving rise to the halt or suspension was remedied.*

3.3 Has the issuer or any of its predecessors ever been in default of their obligations as a reporting issuer (or equivalent) in any jurisdiction in which it is or has been a reporting issuer (or equivalent)? Include any details of cease trade orders against the issuer or any predecessor

Part 4

BANKING INFORMATION

Please provide banking details.

Bank Name:

Address:

Transit number (five digits):

Account number (Proof of Account Required):

Account Manager (Please Print):

Telephone Number:

Fax Number:

I certify that the above information is true to the best of my knowledge.

Date: _____

this _____ day of _____, _____

Director

Signing Officer

Name

Name

[Print or type names beneath signatures]

Appendix A

FILING REQUIREMENTS

Please supply the following documentation along with the completed application form.

- (a) The documentation set out in Policy 2-2.1 for an initial application for quotation and the documentation set out in Policy 2-2.3 for a final application.
- (b) Certified copies of all charter documents, including, Articles of Amendment, Articles of Continuance, Articles of Amalgamation, or equivalent documents.
- (c) A letter from the trust company which acts as transfer agent in the City of Toronto stating that it has been duly appointed as transfer agent for the Issuer and is in a position to make transfers and make prompt delivery of share certificates.
- (d) An unqualified letter from the Canadian Depository for securities Limited (CDS) confirming the CUSIP number(s) assigned to the shares.
- (e) One copy of each of the annual reports for the past three years. If the applicant was formed as a result of an amalgamation, one copy of the annual reports for each of the amalgamated companies for the past three years.
- (f) Any additional financial statements required in the Quotation Statement (Form 2A).
- (g) If applicable, copies of reports required to support the disclosures in the Quotation Statement.
- (h) For non-operating companies, evidence that the company meets the requirements of Policy 2-1.7.
- (i) Such other documentation as may be required by CNQ to consider the application.
- (j) One copy of each of the preliminary and final receipts (if applicable) issued by the Ontario securities Commission in respect of the preliminary and final prospectus, as they become available.
- (k) A void cheque for automatic withdrawal of monthly maintenance fee.
- (l) A cheque representing the application fee.

FORM 2A**QUOTATION STATEMENT**

This Quotation Statement must be used for all initial applications for quotation and for Issuers resulting from a fundamental change. CNQ requires prospectus level disclosure in the Quotation Statement (other than certain financial disclosure and interim Management's Discussion and Analysis) and can require that the Issuer include additional disclosure.

General Instructions

- (a) Please prepare this Quotation Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the applicant Issuer and any of its subsidiaries.
- (c) In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgment in a particular circumstance, and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items should be considered individually rather than on a net basis, if the items have an offsetting effect. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.
- (d) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation.
- (e) For Issuers that are re-qualifying for quotation following a fundamental change, provide historic and current details on
 - (i) the Issuer
 - (ii) all other companies or businesses that are involved in the fundamental change (the "target"); and
 - (iii) the entity that will result from the fundamental change (the "New Issuer").

Information concerning the Issuer that was contained in the most recent Quotation Statement may be incorporated by reference, but this statement must indicate if any of the information in the prior statement has changed (e.g. describing a business that will no longer be undertaken by the New Issuer). Information concerning assets or lines of

business of the target that will not be part of the New Issuer's business should not be included.

- (f) This quotation statement provides prospectus-level disclosure. It will be amended from time to time to reflect any changes to the prospectus disclosure requirements. If changed, the new form is to be used for the next quotation statement the Issuer is required to file. The Issuer does not have to amend a quotation statement currently on file to reflect any new disclosure requirements.

1. Table of Contents

1.1 Include a table of contents with the following headings:

1. Table of Contents
2. Corporate Structure
3. General Development of the Business
4. Narrative Description of the Business
5. Selected Consolidated Financial Information
6. Management's Discussion and Analysis
7. Market for Securities
8. Consolidated Capitalization
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2. Corporate Structure

- 2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.
- 2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. If material, state whether the articles or other constating or establishing documents of the Issuer have been amended and describe the substance of the material amendments.
- 2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state
 - (a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;
 - (b) the place of incorporation or continuance; and
 - (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.
- 2.4 If the issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction..

Instruction: A particular subsidiary may be omitted if

- (a) the total assets of the subsidiary do not constitute more than 10 per cent of the consolidated assets of the Issuer at the most recent financial year end;

- (b) the sales and operating revenues of the subsidiary do not exceed 10 per cent of the consolidated sales and operating revenues of the Issuer at the most recent financial year end; and
- (c) the conditions in paragraphs (a) and (b) would be satisfied if
 - (i) the subsidiaries that may be omitted under paragraphs (a) and (b) were considered in the aggregate, and
 - (ii) the reference to 10 per cent in those paragraphs was changed to 20 per cent.

2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

3. General Development of the Business

3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

Instruction: Include the business of subsidiaries only insofar as is necessary to explain the character and development of the business conducted by the combined enterprise.

3.2 Disclose:

- (1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under Part 6 or 7 of OSC Rule 41-501 if this Quotation Statement were a prospectus; and
 - (b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under Part 8 of OSC Rule 41-501 if this Quotation Statement were a prospectus.
- (2) Under paragraph (1) include particulars of
- (a) the nature of the assets acquired or disposed of or to be acquired or disposed of;
 - (b) the actual or proposed date of each significant acquisition or significant disposition;

- (c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;
- (d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;
- (e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;
- (f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation or Canadian securities directives of a Canadian securities regulatory authority or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and
- (g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Quotation Statement.

Instruction: Issuers are encouraged, but not required, to supply other forward-looking information. Optional forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable effect of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently known information that is reasonably expected to have a material effect on future operating results, such as known future increases in costs of labour or materials, which information is required to be disclosed.

4. Narrative Description of the Business

4.1 General

- (1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:
 - (a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period.
 - (b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time

period in which each event is expected to occur and the costs related to each event.

- (c) Disclose the total funds available to the Issuer and the following breakdown of those funds:
 - (i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Quotation Statement; and
 - (ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b).
- (d) Describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

Instructions:

- (1) The description of the Issuer's business objectives should also provide the context for the description of the milestones which are required to be disclosed. For example, one business objective of an Issuer may be to commence marketing and licencing technology nationally through direct sales and a network of agents; a milestone may be to conduct four feasibility studies over the next ten months to facilitate marketing of the technology, with an anticipated cost of \$X for the studies.
- (2) For the purposes of paragraph (1)(b), examples of significant events would include the hiring of key personnel, making major capital acquisitions, obtaining necessary regulatory approvals, implementing marketing plans and strategies and commencing production and sales.

- (e) For principal products or services,
 - (i) the methods of their distribution and their principal markets;
 - (ii) as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from
 - (A) sales to customers, other than investees, outside the consolidated entity,
 - (B) sales or transfers to investees; and
 - (C) sales or transfers to controlling shareholders; and

- (iii) if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,
 - (A) the timing and stage of research and development programs,
 - (B) the major components of the proposed programs, including an estimate of anticipated costs,
 - (C) whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and
 - (D) the additional steps required to reach commercial production and an estimate of costs and timing.
- (f) Concerning production and sales
 - (i) the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;
 - (ii) the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;
 - (iii) specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;
 - (iv) the sources, pricing and availability of raw materials, component parts or finished products;
 - (v) the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;
 - (vi) the extent to which the business of the segment is cyclical or seasonal;
 - (vii) a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Quotation Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;

- (viii) the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;
 - (ix) the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant; and
 - (x) any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations.
- (g) The competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.
- (h) With respect to lending operations of an Issuer's business, the investment policies and lending and investment restrictions.
- (2) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.
- (3) Disclose the nature and results of any material reorganization of the Issuer or any of its subsidiaries within the three most recently completed financial years or the current financial year.

Instructions:

- (1) The Issuer's stated business objectives must not include any prospective financial information with respect to sales, whether expressed in terms of dollars or units, unless the information is derived from a financial forecast or financial projection prepared in accordance with National Policy Statement No. 48 or any successor instrument and is included in the Quotation Statement.
- (2) Where sales performance is considered to be an important objective, it must be stated in general terms. For example, the Issuer may state that it anticipates generating sufficient cash flow from sales to pay its operating cost for a specified period.

- 4.2 For issuers with asset backed securities outstanding provide the disclosure required by items 6.2 and 10.3 of OSC Form 41-501F1 as if the securities were or were being distributed under a prospectus .

Instructions:

- (1) For the purposes of this item "asset backed security" has the same meaning as in item 6.2 of Form 41-501F1.

4.3 For Issuers with a mineral project, disclose the following information for each property material to the Issuer:

(1) Property Description and Location

- (a) The area (in hectares or other appropriate units) and location of the property.
- (b) The nature and extent of the Issuer's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.
- (c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.
- (d) All environmental liabilities to which the property is subject.
- (e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailings ponds, waste deposits and important natural features and improvements.
- (f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and whether permits have been obtained.

(2) Accessibility, Climate, Local Resources, Infrastructure and Physiography

- (a) The means of access to the property.
- (b) The proximity of the property to a population centre and the nature of transport.
- (c) To the extent relevant to the mining project, the climate and length of the operating season.
- (d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites.
- (e) The topography, elevation and vegetation.

(3) History

- (a) The prior ownership of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.

- (b) If a property was acquired within the three most recently completed financial years of the Issuer or during its current financial year from, or is intended to be acquired by the Issuer from, an insider or promoter of the Issuer or an associate or affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to the Issuer, and the consideration paid or intended to be paid to the vendor.
 - (c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in subparagraph (b).
- (4) Geological Setting — The regional, local and property geology.
- (5) Exploration Information — The nature and extent of all exploration work conducted by, or on behalf of, the Issuer on the property, including
 - (a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;
 - (b) an interpretation of the exploration information;
 - (c) whether the surveys and investigations have been carried out by the Issuer or a contractor and if by a contractor, identifying the contractor; and
 - (d) a discussion of the reliability or uncertainty of the data obtained in the program.
- (6) Mineralization — The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.
- (7) Drilling — The type and extent of drilling including the procedures followed and an interpretation of all results.
- (8) Sampling and Analysis — The sampling and assaying including
 - (a) a description of sampling methods and the location, number, type, nature, spacing and density of samples collected;
 - (b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;
 - (c) a discussion of sample quality and whether the samples are representative of any factors that may have resulted in sample biases;

- (d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and
 - (e) quality control measures and data verification procedures.
- (9) Security of Samples — The measures taken to ensure the validity and integrity of samples taken.
- (10) Mineral Resources and Mineral Reserves — The mineral resources and mineral reserves, if any, including
 - (a) the quantity and grade or quality of each category of mineral resources and mineral reserves;
 - (b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and
 - (c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.
- (11) Mining Operations — For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.
- (12) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.

Instructions:

- (1) Disclosure regarding mineral exploration development or production activities on material properties is required to comply with National Instrument 43-101, including the use of the appropriate terminology to describe mineral reserves and mineral resources.
- (2) Disclosure is required for each property material to the Issuer. Materiality is to be determined in the context of the Issuer's overall business and financial condition, taking into account quantitative and qualitative factors. A property will not generally be considered material to an Issuer if the book value of the property as reflected in the Issuer's most recently filed financial statements or the value of the consideration paid or to be paid (including exploration obligations) is less than 10 per cent of the book value of the total of the Issuer's mineral properties and related plant and equipment.
- (3) The information required under these items is required to be based upon a technical report or other information prepared by or under the supervision of a qualified person, as that term is defined in National Instrument 43-101.
- (4) In giving the information required under these items, include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.

- 4.4 Issuers with Oil and Gas Operations — For Issuers with oil and gas operations, disclose the following (in tabular form, if appropriate):
- (a) Drilling Activity — The number of wells the Issuer has drilled or has participated in drilling, the number of these wells that were completed as oil wells and gas wells that are capable of production, each stated separately, and the number of dry holes, expressed in each case as gross and net wells, during each of the two most recently completed financial years of the Issuer.
 - (b) Location of Production — The geographical areas of the Issuer's production, the groups of oil and gas properties, the individual oil and gas properties and the plants, facilities and installations that, in each case, are owned or leased by the Issuer and are material to the Issuer's operations or exploratory activities.
 - (c) Location of Wells — The location, stated separately for oil wells and gas wells, by jurisdiction, if in Canada, by state, if in the United States, and by country otherwise, of producing wells and wells capable of producing, in which the Issuer has an interest and which are material, with the interest expressed in terms of gross and net wells.
 - (d) Interest in Material Properties — For interests in material properties to which no proved reserves have been attributed, the gross acreage in which the Issuer has an interest and the net interest of the Issuer, and the location of acreage by geographical area.
 - (e) Reserve Estimates — To the extent material, estimated reserve volumes and discounted cash flow from such reserves, stated separately by country and by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators or any successor instrument, on both a gross and net basis as at the most recent financial year end, including information on royalties.
 - (f) Source of Reserve Estimates — The source of the reserve estimates and whether the reserve estimates have been prepared by the Issuer or by independent engineers or other qualified independent persons and any other information relating to reserve estimates required to be disclosed in a prospectus by any successor instrument to National Policy Statement No. 2-B.
 - (g) Reconciliation of Reserves — A reconciliation of the reserve volumes by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B or any successor instrument, as at the financial year end immediately preceding the most recently completed financial year to the reserve volume information furnished under paragraph 5, with the effects of production, acquisitions, dispositions, discoveries and revision of estimates shown separately, if material.

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- (h) History — For each quarter of the most recently completed financial year of the Issuer, with comparative data for the same periods in the preceding financial year,
- (i) the average daily production volume, before deduction of royalties, of
 - (A) conventional crude oil,
 - (B) natural gas liquids, and
 - (C) natural gas;
 - (ii) the following on a per barrel basis for conventional crude oil and natural gas liquids and on a per thousand cubic feet basis for natural gas
 - (A) the average net product prices received,
 - (B) royalties,
 - (C) operating expenses, specifying the particular items included, and
 - (D) netback received;
 - (iii) the average net product price received for the following, if the Issuer's production of the following is material to the Issuer's overall production,
 - (A) light and medium conventional crude oil,
 - (B) heavy conventional crude oil, and
 - (C) synthetic crude oil; and
 - (iv) the dollar amounts expended on
 - (A) property acquisition,
 - (B) exploration, including drilling, and
 - (C) development, including facilities.
- (i) Future Commitments — A description of the Issuer's future material commitments to buy, sell, exchange or transport oil or gas, stating for each commitment separately
- (i) the aggregate price;
 - (ii) the price per unit;

- (iii) the volume to be purchased, sold, exchanged or transported; and
 - (iv) the term of the commitment.
- (j) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.

Instruction: The information required under this item shall be derived from or supported by information obtained from a report prepared in accordance with the provisions of National Policy No. 2-B or any successor instrument.

5. Selected Consolidated Financial Information

5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

- (a) Net sales or total revenues.
- (b) Income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook.
- (c) Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook.
- (d) Total assets.
- (e) Total long-term financial liabilities as defined in the Handbook.
- (f) Cash dividends declared per share for each class of share.
- (g) Such other information as the Issuer believes would enhance an understanding of and would highlight other trends in financial condition and results of operations.

5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs 1, 2 and 3 of Section 5.1

Instruction:

- (1) For an Issuer that has not been a reporting Issuer for the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs 1, 2 and 3 of Section 5.1 for the period that the Issuer was not a reporting Issuer only if the Issuer has prepared quarterly financial statements for that period.

- (2) If the Issuer is only required to file six month interim financial statements, the information required under paragraph (1) may instead be provided for each of the four most recently completed six month periods ended at the end of the most recently completed financial year for which financial statements have been prepared.

5.3 Dividends

- (a) Describe any restriction that could prevent the Issuer from paying dividends.
- (b) Disclose the Issuer's dividend policy and if a decision has been made to change the dividend policy, disclose the intended change in dividend policy.

5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if

- (a) the Issuer's primary financial statements have been prepared using foreign GAAP; and
- (b) if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

Instruction:

- (1) If financial information that is included in the summary is derived from financial statements included in the quotation statement, but the financial information is neither directly presented in, nor readily determinable from, the financial statements, include a reconciliation to the financial statements in notes.
- (2) If financial information that is included in the quotation statement is derived from financial statements that are not included in the quotation statement, indicate in the lead-in to the summary the source from which the information is extracted, the percentage interest that the issuer has in the person or company, the GAAP principles used, the name of the auditors, the date of the report, and the nature of the opinion expressed.
- (3) The derivation of ratios included in the quotation statement in notes should be disclosed in notes to the quotation statement.
- (4) Information included in the quotation statement should be presented in a manner that is consistent with the intent of Canadian accounting recommendations and practices (e.g., cash flow data should not be interspersed with amounts from an income statement in a manner which suggests that cash flow data has been or should be presented in an income statement, and cash flow data should not be presented in a manner that appears to give it prominence equal to or greater than earnings data).

6. Management's Discussion and Analysis

Instructions:

- (a) MD&A is supplemental analysis and explanation that accompanies, but does not form part of, an Issuer's financial statements. MD&A provides management with the opportunity to discuss an Issuer's current financial results, position and future prospects. MD&A is intended to give a reader the ability to look at the Issuer through the eyes of management by providing both a historical and prospective analysis of the business of the Issuer. MD&A requires that management discuss the dynamics of the business and analyze the financial statements. Coupled with the financial statements, this information should enable readers to better assess the Issuer's performance, position and future prospects.
- (b) Focus the MD&A on material information about the financial condition of the Issuer, as well as its operations, with particular emphasis on liquidity, capital resources and known material trends, commitments, events, risks or uncertainties that are reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations.
- (c) "Capital Resources" means indebtedness, share capital and any other financial arrangement, whether or not it is reflected on the balance sheet of an Issuer, that can reasonably be considered to provide financial resources to the Issuer.
- (d) Issuers are not required to disclose information described in this section if the information is not material. Materiality is a matter of judgment in particular circumstances and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the Issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. This concept of materiality is consistent with the financial reporting notion of materiality in the Handbook.
- (e) If information required by this section is disclosed in a note to an Issuer's financial statements, the Issuer may comply with the disclosure requirement by providing a cross-reference to the note in which the information appears.
- (f) Focus the MD&A on the primary financial statements, even if the primary financial statements have been prepared using foreign GAAP. If the Issuer is incorporated, organized or continued under the laws of Canada or a province or territory of Canada and has based the discussion of MD&A on financial statements prepared in accordance with foreign GAAP, provide a restatement of those parts of the MD&A that would read differently if they were based on financial statements prepared in accordance with Canadian GAAP. If the Issuer is required under securities legislation to have reconciled its financial statements to Canadian GAAP or has otherwise done so, provide a cross-reference in the MD&A to the notes to the financial statements containing the reconciliation. If the Issuer has securities registered under the *Securities Exchange Act of 1934* (the "1934 Act"), the Issuer may provide the MD&A disclosure required under the 1934 Act instead of the disclosure required in this part.
- (g) The nature of the disclosure required under this section is intentionally general. This section contains a minimum of specific instructions in order to allow, as well as

encourage, Issuers to discuss their businesses in the most appropriate manner and to tailor their comments to their individual circumstances. Issuers should avoid boilerplate.

Contents of MD&A

General

6.1 Provide an analysis of the Issuer's financial condition, cash flows and results of operations for each year for which financial statements are included in this Quotation Statement, including a comparison against the previously completed financial year. Provide all information necessary to understand the analysis and comparison. Include:

- (a) an analysis and comparison over a period longer than two financial years if necessary to describe a trend;
- (b) an analysis and comparison on the basis of each reportable operating segment or other part of the business, as well as on the Issuer as a whole, if necessary to understand the analysis and comparison;

Instruction: In making the determination whether an analysis and comparison on the basis of a reportable operating segment or other part of the business is required, give consideration to whether any part of the business has a disproportionate effect on revenues, profitability or cash needs; whether there are any legal or other restrictions on the free flow of funds from one part of the Issuer's business to another; and whether known trends, demands, commitments, events or uncertainties within a part of the business are reasonably likely to have a material effect on the business as a whole.

- (c) factors internal to the Issuer as well as external economic and industry factors affecting the Issuer;
- (d) an explanation of why changes have or have not occurred in the financial condition and results of operations of the Issuer;

Instruction: In providing an explanation of causes affecting more than one item, an overall analysis is sufficient.

- (e) the effect of discontinued operations;
- (f) major changes in the direction of the business.

Instruction: Issuers need only include information that is reasonably available to the Issuer and that does not clearly appear in the Issuer's financial statements. Numerical data included in, or readily calculable from, the financial statements need not be repeated in the analysis and comparison. For example, if it is clear from the comparative financial statements what the amount of increase or decrease in revenues or the respective percentage change would be from the prior year, it is not necessary to include this information in the discussion since it is readily

calculable. Nonetheless, showing these increases and decreases immediately before the discussion is nonetheless often useful to readers.

- 6.2 Describe and quantify any event or items that have had a material impact on the Issuer's financial condition, cash flows or results of operations during the Issuer's fourth quarter of its most recently completed financial year, including extraordinary or infrequently occurring items, year-end and other adjustments and disposals of business segments.

Instruction: Infrequently occurring items are those which do not have all of the characteristics of extraordinary items, as that term is defined by the Handbook, but result from transactions or events that are not expected to occur frequently over several years or are not typical of the Issuer's normal business activities.

- 6.3 Disclose information on risks and uncertainties facing the Issuer necessary to understand the Issuer's financial condition, changes in financial condition and results of operations.
- 6.4 Provide an analysis of the risks, events and uncertainties that could cause reported financial information to not necessarily be indicative of future operating results or of future financial position. Include both qualitative and quantitative descriptions of factors that:
- (a) could have an effect on future operations or financial position and have not had an effect in the past; and
 - (b) have had an effect on reported operations or financial position, and are not expected to have an effect in the future.
- 6.5 Describe any changes in the accounting policies of the Issuer adopted subsequent to its most recent financial year end or any changes in its accounting policies that are expected to be adopted by the Issuer, including those resulting from a change in an accounting standard, or the issuance of a new accounting standard, that does not require adoption until some future date. Disclose the estimated effect on the financial statements of the implementation of any changes in the accounting policies described.
- 6.6 If not already disclosed in the Issuer's financial statements, provide:
- (a) a discussion of the nature and extent of the Issuer's use of financial instruments and the business purposes that they serve;

Instruction: The discussion should be designed to enhance a reader's understanding of the significance of recognized and unrecognized financial instruments on the Issuer's financial position, results and cash flows. The information should also be designed to assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments.

- (b) an analysis of the risks associated with the Issuer's financial instruments;

- (c) an analysis of management's policies for controlling the risks associated with the Issuer's financial instruments, including an analysis of, if applicable, the Issuer's policies for the hedging of risk exposures, the avoidance of undue concentrations of risk and any requirements for collateral to mitigate credit risks, and, if the Issuer has no policies for controlling the risks associated with the Issuer's financial instruments, a statement indicating that the Issuer does not have any such policies;

Instruction: If the Issuer is exposed to significant price, credit or liquidity risks, consideration should be given to providing a sensitivity analysis or tabular information that assists readers in assessing the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing the Issuer's exposure to price risk.

- (d) a discussion of the relationships between financial instruments and the components of individual financial instruments that may affect the amount, timing or certainty of cash flows;

Instruction: For example, a discussion of the existence and terms of master netting agreements and the relationship between liability and equity components of convertible debt instruments would be appropriate.

- (e) disclosure of significant accounting policies for financial instruments, including a description of how each class of financial instrument is reported in the financial statements, the policies for recognition and measurement of financial instruments, and the financial statement classification of gains and losses; and
- (f) significant assumptions made in determining the fair value of financial instruments, the total amount of the change in fair value of financial instruments recognized in income for the period, and the total amount of deferred or unrecognized gains and losses on financial instruments.

6.7 If a decision to proceed with a transaction has been made by an Issuer's board of directors, or by senior management with the expectation of concurrence from the board of directors, and the transaction involves a business acquisition or disposition, or an asset acquisition or disposition, discuss the transaction and its anticipated effect as part of MD&A. Disclosure is not required if the Issuer has made a confidential filing under the continuous disclosure provisions of securities legislation.

Quarterly Information

6.8 Subject to the sections 6.9 and 6.10, for each of the eight most recently-completed quarters ending at the end of the most recently completed financial year, provide the following information:

- (a) net sales or total revenues;

- (b) income from continuing operations, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook; and
 - (c) Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook.
- 6.9 For an issuer that has not been a reporting issuer for the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in section 6.8 for the period that the issuer was not a reporting issuer only if the issuer has prepared quarterly financial statements for that period.
- 6.10 If the issuer is only required to file six month interim financial statements, the information required under section 6.8 may instead be provided for each of the four most recently completed six month periods ended at the end of the most recently completed financial year.

Liquidity and Capital Resources

- 6.11 With respect to the Issuer's liquidity,
- (a) discuss the ability of the Issuer to generate adequate amounts of cash and cash equivalents, in the short term and the long term, when needed and to maintain capacity to provide for planned growth;
 - (b) identify any known trends or expected fluctuations in the Issuer's liquidity, taking into account known demands, commitments, events or uncertainties; if a deficiency is identified, indicate the course of action that has been taken or is proposed to be taken to remedy the deficiency;
 - (c) describe those balance sheet conditions or income or cash flow items that the Issuer believes may be indicators of its liquidity;
 - (d) describe generally the requirements relating to working capital items;

Instruction: Examples of the disclosure required under this paragraph include situations where significant quantities of inventory are required to be carried to meet rapid delivery requirements of customers or where extended payment terms have been provided to customers or furnished by suppliers.

- (e) disclose the nature and extent of legal or practical restrictions on the ability of subsidiaries to transfer funds to the Issuer and the effect that these restrictions have had or are expected to have on the ability of the Issuer to meet its obligations; and
- (f) if the Issuer is in arrears in the payment of dividends, interest or principal payment on borrowings, disclose this fact and provide details; if the Issuer is in default on any debt covenants or was in default during the most recently completed financial

year, disclose information concerning the default and the method or anticipated method of curing the default; if the Issuer is unable to make required redemptions or retractions or sinking fund payments, disclose this information and provide details, and if the Issuer anticipates being, in the current financial year, in any of the circumstances described in this paragraph, disclose this information and provide details.

6.12 With respect to the Issuer's capital resources,

- (a) describe and quantify commitments for capital expenditures as of the end of the most recently completed financial year, indicate the general purpose of these commitments and the anticipated source of funds needed to fulfil these commitments, and quantify expenditures that are necessary but not yet committed to meet plans discussed under MD&A or elsewhere in the Quotation Statement;
- (b) describe any known trends, favourable or unfavourable, in the Issuer's capital resources, indicating any expected changes in the mix and relative cost of these resources; and
- (c) briefly discuss sources of financing that have been arranged but not yet utilized.

Instruction: Discussions of liquidity and capital resources may be combined if this facilitates the discussion.

Results of Operations

6.13 Describe any unusual or infrequent events or transactions and any significant economic changes that in each case materially affect income or loss from continuing operations and the extent to which income or loss from continuing operations is affected. Also disclose any other significant components of revenue or expense necessary to understand the results of operations.

6.14 Describe any known trends or uncertainties that have had or that the Issuer reasonably expects will have a favourable or unfavourable effect on net sales or revenues or income or loss from continuing operations. If the Issuer knows of factors that are expected to cause a change in the relationship between costs and revenues, disclose the expected change in the relationship and the cause.

Instruction: Examples of such events include known future changes in costs of labour or materials or price changes or inventory adjustments.

6.15 Provide a discussion of the extent to which any changes in net sales or revenues are attributable to changes in selling prices, to changes in the volume or quantity of goods or services being sold, or to the introduction of new products or services.

6.16 Discuss briefly any effect of inflation and specific price changes on the Issuer's net sales and revenues and on income or loss from continuing operations. For purposes of the discussion, no specific numerical financial data need be presented

6.17 If the Issuer's business is still in the development stage, include in the analysis of the Issuer's results of operation a discussion of the Issuer's material expenditures.

7. Market for Securities

7.1 Identify the exchange(s) and quotation system(s) on which the Issuer's securities are listed and posted for trading or quoted.

8. Consolidated Capitalization

8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Quotation Statement.

9. Options to Purchase Securities

9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Quotation Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by

- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;
- (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;
- (c) all other employees and past employees of the Issuer as a group, without naming them;
- (d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;
- (e) all consultants of the Issuer as a group, without naming them; and
- (f) any other person or company, including the underwriter, naming each person or company.

Instruction:

- (1) Describe the options, stating the material provisions of each class or type of option, including:
 - (a) the designation and number of the securities under option;
 - (b) the purchase price of the securities under option or the formula by which the purchase price will be determined, and the expiration dates of the options;
 - (c) if reasonably ascertainable, the market value of the securities under option on the date of grant;
 - (d) if reasonably ascertainable, the market value of the securities under option on the specified date; and
 - (e) with respect to options referred to in paragraph (f) of Item 9.1, the particulars of the grant including the consideration for the grant.
- (2) For the purposes of item (f) of Item 9.1, provide the information required for all options except warrants and special warrants.

10. Prior Sales

- 10.1 State the description or the designation each class of equity or debt securities of the Issuer and describe all material attributes and characteristics, including
 - (a) dividend rights;
 - (b) voting rights;
 - (c) rights upon dissolution or winding-up;
 - (d) pre-emptive rights;
 - (e) conversion or exchange rights;
 - (f) redemption, retraction, purchase for cancellation or surrender provisions;
 - (g) sinking or purchase fund provisions;
 - (h) provisions permitting or restricting the issuance of additional securities and any other material restrictions;
 - (i) provisions requiring a securityholder to contribute additional capital;
 - (j) provisions for interest rate, maturity, and premium, if any of debt securities;
 - (k) the nature and priority of any security for debt securities, briefly identifying the principal properties subject to lien or charge;
 - (l) any material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its

subsidiaries, and provisions as to the release or substitution of assets securing debt securities;

- (m) the name of the trustee under any indenture relating to debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any of its affiliates; and
- (n) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness..

10.2 State the prices at which securities of the same class as the securities to be quoted have been sold within the 12 months before the date of the Quotation Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

Instruction: In the case of sales by a Related Person, the information required under Item 10.2 may be given in the form of price ranges for each calendar month.

10.3 Stock Exchange Price

- (1) If shares of the same class as the shares to be quoted were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs.
- (2) If shares of the same class as the shares to be quoted were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs.
- (3) Information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

11. Escrowed Securities

11.1 State as of a specified date within 30 days before the date of the Quotation Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

ESCROWED SECURITIES

Designation of class held in escrow	Number of securities held in escrow	Percentage of class

12. Principal Shareholders

- 12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Quotation Statement:
- (a) Name.
 - (b) The number or amount of securities owned of the class to be quoted
 - (c) Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only.
 - (d) The percentages of each class of securities known by the Issuer to be owned.
- (2) If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person or company described in paragraph (1) that will exist after giving effect to the transaction.
- (3) If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.
- (4) If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.
- (5) In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.

Instruction: If a company, partnership, trust or other unincorporated entity is a principal shareholder of an Issuer, disclose, to the extent known, the name of each individual who, through ownership of or control or direction over the securities of the company or membership in the partnership, as the case may be, is a principal shareholder of the company or partnership.

13 Directors and Officers

13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.

Instruction: If, during the period, a director or officer has held more than one position with the Issuer or the Issuer's controlling shareholder or a subsidiary of the Issuer, state only the current position held.

13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.

Instruction: Securities of subsidiaries that are beneficially owned, directly or indirectly, or over which control or direction is exercised by directors or executive officers through ownership or control or direction over securities of the Issuer do not need to be included.

13.4 Disclose the board committees of the Issuer and identify the members of each committee.

13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.

13.6 If a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Quotation Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or

compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

- 13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has
- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
 - (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
- 13.8 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Quotation Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.
- 13.9 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.
- 13.10 Management — In addition to the above provide the following information for each member of management:
- (a) state the individual's name, age, position and responsibilities with the Issuer and relevant educational background,
 - (b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer,
 - (c) state whether the individual is an employee or independent contractor of the Issuer,
 - (d) state the individual's principal occupations or employment during the five years prior to the date of the Quotation Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:
 - (i) its name and principal business;

- (ii) if applicable, that the organization was an affiliate of the Issuer;
- (iii) positions held by the individual; and
- (iv) whether it is still carrying on business, if known to the individual;
- (e) describe the individual's experience in the Issuer's industry; and
- (f) state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.

Instruction:

- (1) For purposes of this Item "management" means all directors, officers, employees and contractors whose expertise is critical to the Issuer, its subsidiaries and proposed subsidiaries in providing the Issuer with a reasonable opportunity to achieve its stated business objectives.
- (2) The description of the principal occupation of a member of management must be specific. The terms "businessman" or "entrepreneur" are not sufficiently specific.

14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be quoted:

Issued Capital

	<u>Number of Securities (non-diluted)</u>	<u>Number of Securities (fully- diluted)</u>	<u>% of Issued (non- diluted)</u>	<u>% of Issued (fully diluted)</u>
<u>Public Float</u>				
Total outstanding (A)				
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or				

conversion of other securities held) (B)

Total Public Float (A-B)

Freely-Tradeable Float

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)

Total Tradeable Float (A-C)

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	<hr/>	<hr/>
100 – 499 securities	<hr/>	<hr/>
500 – 999 securities	<hr/>	<hr/>
1,000 – 1,999 securities	<hr/>	<hr/>
2,000 – 2,999 securities	<hr/>	<hr/>
3,000 – 3,999 securities	<hr/>	<hr/>
4,000 – 4,999 securities	<hr/>	<hr/>

5,000 or more securities		

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
Unable to confirm		

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	_____	_____
100 – 499 securities	_____	_____
500 – 999 securities	_____	_____
1,000 – 1,999 securities	_____	_____
2,000 – 2,999 securities	_____	_____
3,000 – 3,999 securities	_____	_____
4,000 – 4,999 securities	_____	_____
5,000 or more securities	_____	_____
	=====	=====

14.2 Provide the following details for any securities convertible or exchangeable into any class of quoted securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of quoted securities issuable upon conversion / exercise

14.3 Provide details of any quoted securities reserved for issuance that are not included in section 14.2.

15. Executive Compensation

15.1 Attach a Statement of Executive Compensation from Form 40 of Regulation 1015 of the Revised Regulations of Ontario, 1990 or any successor instrument and describe any intention to make any material changes to that compensation.

15.2 Exception — Despite Item 15.1, the disclosure required under Items V, VIII, IX and X of Form 40 may be omitted.

16. Indebtedness of Directors and Executive Officers

- 16.1 (1) Disclose in substantially the following tabular form all indebtedness (other than routine indebtedness), and the other details prescribed in paragraph (2), for each individual who is, or at any time during the most recently completed financial year of the Issuer was, a director or executive officer of the Issuer, and each associate of such an individual,
- (a) who is indebted to the Issuer or a subsidiary of the Issuer; or
 - (b) whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or a subsidiary of the Issuer.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Name and Principal Position (a)	Involvement of Issuer or Subsidiary (b)	Largest Amount Outstanding During [Last Completed Financial Year] (\$) (c)	Amount Outstanding as at [current date] (\$) (d)	Financially Assisted Securities Purchases During [Last Completed Financial Year] (#) (e)	Security for Indebtedness (f)

16.2 Include the following in the table required under paragraph 16.1:

- (a) The name of the borrower (column (a)).
- (b) If the borrower is a director or executive officer, the principal position of the borrower; if the borrower was, during the year, but no longer is a director or executive officer, include a statement to that effect; if the borrower is included as an associate of a director or executive officer, describe briefly the relationship of the borrower to any individual who is or, during the year, was a director or executive officer, name that individual and provide the information that would be required under this subparagraph for that individual if he or she was the borrower (column (a)).

- (c) Whether the Issuer or a subsidiary of the Issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).
 - (d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).
 - (e) The aggregate amount of the indebtedness outstanding as at a specified date not more than 30 days before the date of Quotation Statement (column (d)).
 - (f) If the indebtedness was incurred to purchase securities of the Issuer or of a subsidiary of the Issuer, separately for each class of securities the aggregate number of securities purchased during the last completed financial year with the financial assistance (column (e)).
 - (g) The security, if any, provided to the Issuer, a subsidiary of the Issuer or the other entity for the indebtedness (column (f)).
- 16.3 Disclose in the introduction to the table required under paragraph (1) the aggregate indebtedness of all officers, directors, employees, and former officers, directors and employees of the Issuer or a subsidiary of the Issuer outstanding as at a specified date not more than 30 days before the date of the Quotation Statement, that is owed to
- (a) the Issuer or a subsidiary of the Issuer; or
 - (b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.
- 16.4 Disclose in a footnote to, or a narrative accompanying, the table required under paragraph (1)
- (a) the material terms of the indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and the nature of the transaction in which the indebtedness was incurred;
 - (b) any material adjustment or amendment made to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding; and
 - (c) the class of the securities purchased with financial assistance from the Issuer or held as security for the indebtedness and, if the class of securities is not publicly traded, all material terms of the securities.

Instructions:

- (1) For purposes of this item, the following interpretation applies to the term "routine indebtedness":
 - (a) A loan, whether or not in the ordinary course of business, is considered as routine indebtedness if made on terms, including terms relating to interest rate and security, no more favourable to the borrower than the terms on which loans are made by the Issuer to employees generally unless the amount at any time during the last completed financial year remaining unpaid under the loans to any one director or executive officer together with his or her associates exceeds \$25,000, in which case the indebtedness is not routine.
 - (b) A loan made by an Issuer to a director or executive officer, whether or not the Issuer makes loans in the ordinary course of business, is routine indebtedness if
 - (i) the borrower is a full-time employee of the Issuer or a subsidiary of the Issuer;
 - (ii) the loan is fully secured against the residence of the borrower; and
 - (iii) the amount of the loan does not exceed the annual aggregate salary of the borrower from the Issuer and its subsidiaries.
 - (c) If the Issuer makes loans in the ordinary course of business, a loan to a person or company other than a full-time employee of the Issuer or of a subsidiary of the Issuer is routine indebtedness, if the loan
 - (i) is made on substantially the same terms, including terms relating to interest rate and security, as are available when a loan is made to other customers of the Issuer with comparable credit ratings; and
 - (ii) involves no greater than usual risks of collectibility.
 - (d) Indebtedness for purchases made on usual trade terms, for ordinary travel or expense advances or for loans or advances made for similar purposes is routine indebtedness if the repayment arrangements are in accordance with usual commercial practice.
- (2) For purposes of this item, "support agreement" includes an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.
- (3) No disclosure need be made under this item of indebtedness that has been entirely repaid on or before the date of the Quotation Statement.

17. Risk Factors

- 17.1 Describe the risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the Issuer, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, the arbitrary establishment of the offering price, regulatory constraints, economic or political conditions and financial history and any other matter that in the opinion of the Issuer would be most likely to influence the investor's decision to purchase, hold or sell the Issuer's securities. Risks should be disclosed in the order of their seriousness in the opinion of the Issuer.

18. Promoters

Instruction: In this Part, "promoter" includes any person performing Investor Relations Activities (as defined in the CNQ Policies) for the Issuer.

- 18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Quotation Statement, a promoter of the Issuer or of a subsidiary of the Issuer state
- (a) the person or company's name;
 - (b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;
 - (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer; and
 - (d) for an asset acquired within the two years before the date of the Quotation Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter
 - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,
 - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and
 - (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.
- 18.2 If a promoter or past promoter referred to in paragraph (1) has been a director, officer or promoter of any person or company during the 10 years ending on the date of Quotation Statement, that
- (a) was the subject of a cease trade or similar order, or an order that denied the person or company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
 - (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or

compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

- 18.3 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter or past promoter referred to in paragraph (1) has
- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
 - (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.
- 18.4 If a promoter or past promoter referred to in paragraph (1), or a personal holding company of such promoter, has, within the 10 years before the date of the Quotation Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

19. Legal Proceedings

- 19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Instruction: No information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10 per cent of the current assets of the Issuer and its subsidiaries on a consolidated basis. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the amount involved in the other proceedings shall be included in computing the percentage.

20. Interest of Management and Others in Material Transactions

- 20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Quotation Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:

- (a) any director or executive officer of the Issuer.
- (b) a security holder disclosed in the Quotation Statement as a principal shareholder.
- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs 1 or 2.

Instruction:

- (1) The materiality of an interest is to be determined on the basis of the significance of the information to investors in light of all the circumstances of the particular case. The importance of the interest to the person having the interest, the relationship of the parties to the transaction with each other and the amount involved are among the factors to be considered in determining the significance of the information to investors.
- (2) Give a brief description of the material transaction. Include the name of each person or company whose interest in any transaction is described and the nature of the relationship to the Issuer.
- (3) For any transaction involving the purchase of assets by or sale of assets to the Issuer or a subsidiary of the Issuer, state the cost of the assets to the purchaser, and the cost of the assets to the seller if acquired by the seller within three years before the transaction.
- (4) This item does not apply to any interest arising from the ownership of securities of the Issuer if the security holder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities or all other holders of the same class of securities who are resident in Canada.
- (5) Information must be included as to any material underwriting discounts or commissions upon the sale of securities by the Issuer if any of the specified persons or companies were or are to be an underwriter or are associates, affiliates or partners of a person or company that was or is to be an underwriter.
- (6) No information need be given in answer to this item as to a transaction, or an interest in a transaction, if
 - (a) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;
 - (b) the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction;
 - (c) the transaction involves services as a bank or other depository of funds, a transfer agent, registrar, trustee under a trust indenture or other similar services; or
 - (d) the transaction does not involve remuneration for services and the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of equity securities of another company that is party to the transaction and the transaction is in the ordinary course of business of the Issuer or its subsidiaries.
- (7) Describe all transactions not excluded above that involve remuneration (including an issuance of securities), directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of equity securities of another company furnishing the services to the Issuer or its subsidiaries.

21. Auditors, Transfer Agents and Registrars

- 21.1 State the name and address of the auditor of the Issuer.
- 21.2 State the names of the Issuer's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of that class of shares.

22. Material Contracts

- 22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business, that was entered into within the two years before the date of Quotation Statement by the Issuer or a subsidiary of the Issuer.

Instructions:

- (1) The term "material contract" for this purpose means a contract that can reasonably be regarded as material to a proposed investor in the securities being distributed and may in some circumstances include contracts with a person or company providing the Issuer with promotional or investor relations services.
- (2) Set out a complete list of all material contracts, indicating those that are disclosed elsewhere in Quotation Statement and provide particulars about those material contracts for which particulars are not given elsewhere in the Quotation Statement.
- (3) Particulars of contracts should include the dates of, parties to, consideration provided for in, and general nature of, the contracts.

- 22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.

23 Interest of Experts

- 23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Quotation Statement or prepared or certified a report or valuation described or included in the Quotation Statement.
- 23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in Item 23.1 of any securities of the issuer or any Related Person of the issuer.
- 23.3 For the purpose of Item 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.
- 23.4 If a person, or a director, officer or employee of a person or company referred to in Item 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or of any associate or affiliate of the issuer, disclose the fact or expectation.

24. Other Material Facts

24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Quotation Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. Financial Statements

25.1 Provide the following audited financial statement for the Issuer:

- (a) Copies of all financial statements including the auditor's reports required to be prepared and filed with the Commission under Ontario securities law for the preceding three years; and
- (b) a copy of financial statements for any completed interim period of the current fiscal year.

25.2 For Issuers re-qualifying for quotation following a fundamental change provide

- (a) the information required in Items 5.1 to 5.3 for the target;
- (b) financial statement for the target prepared in accordance with the requirements of Parts 4,5,6,7 8 and 9 of OSC Rule 41-501 as if the target were the Issuer;
- (c) pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:
 - (i) the last full fiscal year of the Issuer and
 - (ii) any completed interim period of the current fiscal year.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the quotation of the above mentioned securities on CNQ. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at _____

this _____ day of _____, _____.

Chief Executive Officer

Chief Financial Officer

Promoter (if applicable)

Director

Director

[print or type names beneath signatures]

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the target). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at _____

this _____ day of _____, _____.

Chief Executive Officer

Chief Financial Officer

Promoter (if applicable)

Director

Director

[print or type names beneath signatures]

FORM 2B

QUOTATION SUMMARY

Issuer Name:			Quotation Statement Date:			
Address:			Brief Description of the Issuer's Business:			
Company Contact:			Securities outstanding			
Phone:			Symbol	Type	Number	CUSIP
Fax:			If the Quotation Statement was required to be filed because an event giving rise to material information has occurred that makes the previous Statement inaccurate or misleading, briefly describe the event:			
E-mail:			Dates of Press Release and Any Public Filings Concerning the Event:			
Jurisdiction of Incorporation:			Date of Last Shareholders' Meeting and Date of Next Shareholders' Meeting (if scheduled):			
Website:						
Fiscal Year End:						
Financial Information as at : [Date]			Board of Directors:			
	[Current]	[Previous]	Name		Position	
Current Assets	\$	\$				
Working Capital	\$	\$				
Total assets	\$	\$				
Long-term liabilities						
Shareholders equity	\$	\$				

FORM 3**PERSONAL INFORMATION FORM****General Instructions**

1. This Personal Application Form ("Form") is to be completed by
 - (a) every individual who, if the securities of the Applicant Issuer described below are accepted for quotation on CNQ, will at the time of listing be a Related Person of the Applicant Issuer and
 - (b) each director, senior officer and person who directly or indirectly owns, controls or exercises discretion over 20% or more of the outstanding voting shares of any non-individual that will, if the securities of the Applicant Issuer described below are accepted for quotation on CNQ, be a Related Person of the Applicant Issuer..
2. This Form is also to be completed where the securities of the Applicant Company are quoted on CNQ by
 - (a) each individual who has become or proposes to become a Related Person of the CNQ Issuer and
 - (b) each director, senior officer and each person who directly or indirectly owns, controls or exercises discretion over 20% or more of the outstanding voting shares of any non-individual who has become or proposes to become a Related Person of the CNQ Issuer.
3. All items must be completed on the Form. Each Form must be signed (and initialled where necessary) manually and not mechanically or electronically. No facsimiles or copied versions will be accepted. Please type or print using BLOCK letters. *Failure to respond to all questions accurately and completely may delay the processing of the application of the Applicant Issuer and may result in the denial of the application.*
4. All attachments pertaining to any question must be made exhibits to the Form and each one must be so marked. All signatures must be originals. The Commissioner of Oaths before whom the statutory declaration at the end of the form is made, as well as the person completing the Form, must initial all attachments.

Name of Applicant	
Original Quotation: <input type="checkbox"/>	Quoted Company: <input type="checkbox"/>

1. Basic Information

(a) Identification

Surname:	Legal First Name:
Full Middle Name(s):	Check here if no middle name(s): <input type="checkbox"/>
Name(s) by which you are comonly known:	

(b) Personal Information – No Abbreviations

Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female	Date of Birth:		
	Day:	Month:	Year:
Place of birth (<i>City Province/State, Country</i>)			

(c) Current Residential Address – No Abbreviations

Street Address:	City:	Province/State:
Country:	Postal/ZIP:	Res. Telephone Number: ()

(d) Residential History for Past 15 years – No Abbreviations

(Provide attachments if additional space is necessary)

Street address, City, Province/State, Country, Postal/ZIP	From				To			
	M		Y		M		Y	

(e) Citizenship – No Abbreviations

Citizenship:
If not a Canadian citizen, please indicate number of years continuous residence in Canada:
If you are a U.S. citizen or hold a U.S. Social Security Number, please provide it here:
If you are a Hong Kong citizen or hold a Hong Kong Identification Number:
If you have a Canadian Social Insurance Number, please provide it here:

(f) Professional Designation(s)

Please list all professional designations which you have and professional associations to which you belong (please include membership numbers where applicable):

(g) — Present or Proposed Position with the Applicant Issuer

Check below as applicable	Provide the Date Elected/ Appointed/ Position Achieved						Title
	M		D		Y		
<input type="checkbox"/> Director							
<input type="checkbox"/> Officer							
<input type="checkbox"/> Other (provide details) (see General Instructions – Pg.1)							

(h) Positions with Other Issuers

Provide the names of any public reporting issuers and any issuer with continuous disclosure obligations in any jurisdiction of which you are now, or during the last 10 years, have been a director, promoter, insider or control person, the positions you held and the periods during which you held those positions. Use an attachment if necessary.

Name of Reporting Issuers	Market	Positions Held with Issuer	From		To	
			M	Y	M	Y

2. Change of Name or Use of Different Name

Instructions

Have you ever had, used, operated under, or carried on business under any name other than the names mentioned in Question 1a of this form, or have you ever been known under any other name? *(Name changes resulting from marriage, divorce, court order or any other process should be included here, giving appropriate dates.)*

Yes:

No :

Previous Names	From		To	
	Month	Year	Month	Year

Instructions Regarding Questions 3 to 7

Full details are required as attachments in respect of any question to which the answer is yes. These details must include the circumstances, the relevant dates, the names of the parties involved, and the final determination if known. All questions must be answered with YES or NO, unless otherwise specified.

3. Proceedings by Regulators

- (a) Have you personally ever been the subject of a cease trading order issued by any authority regulating trading in securities?

Yes: No:

Details:

- (b) Have you, or has any partnership or company of which you were at the time of such event a partner, officer, director, or beneficial owner of more than 10% of the voting securities, ever been denied the benefit of any exemption provided by any act regulating trading in securities?

Yes: No:

Details:

- (c) Have you, or has any partnership or company of which you were at the time of such event a partner, officer, director, or beneficial owner of more than 10% of the voting securities, ever been the subject of disciplinary action, not disclosed in 3(b) above, undertaken by any authority regulating or supervising trading in securities, including any stock exchange, association of investment dealers or similar organization? (Do not include cease-trading orders.)

Yes: No:

Details:

- (d) Have you personally ever been the subject of disciplinary action, not disclosed in 3(a), (b) or (c) above, undertaken by any tribunal, organization or society responsible for the regulation of a profession?

Yes: No:

Details:

4. Offences Under The Law

Note:

If a pardon under the Criminal Records Act (Canada) has been formally requested and you have received formal written notice that such pardon has been granted and it has not been revoked, you are not obliged to disclose any such pardoned offence. In such circumstances, the appropriate response would be: "Yes, pardon granted on (date)."

(a) Past Convictions Involving Securities or Commodities

Have you ever been convicted under any law of any province, territory, state or country of any offence relating to trading in securities, commodities or commodity futures contracts, or with the theft of securities, or with any related offence, or been a party to any proceedings taken on account of fraud arising out of any trade in or advice respecting securities?

Yes: No:

Details:

(b) Past Convictions Involving Other Contraventions or Criminal Offences

Have you ever been convicted under any law of any province, territory, state or country for contraventions or criminal offences not noted in 4(a) above? (Do not include non-criminal traffic convictions.)

Yes: No:

Details:

(c) Current Charges or Indictments

Are you currently the subject of a charge or indictment, under any law of any province, territory, state or country for contraventions, criminal offences, or other conduct of the type described in 4(a) or 4(b) above?

Yes: No:

Details:

(d) Partnership or Company Convictions or Current Charges or Indictments

Has any partnership or company of which you were at the time of such event a partner, officer, director, or beneficial owner of more than 10% of the voting securities, ever been convicted, or is any partnership or company in which you hold such a position currently the subject of a charge or indictment, under any law of any province, territory, state or county for contraventions, criminal offences, or other conduct of the type described in 4(a) or 4(b) above?

Yes: No:

Details:

5. Civil Proceedings

- (a) Has a court in a civil proceeding ever held that you or any partnership or company of which you were at the time of such event a partner, officer, director, or beneficial owner of more than 10% of the voting securities committed fraud or similar conduct?

Yes: No:

Details:

- (b) Are there any civil proceedings now pending in which fraud or similar conduct on the part of you or any partnership or company of which you are or were at the time such proceedings commenced a partner, officer, director, or beneficial owner of more than 10% of the voting securities is alleged?

Yes: No:

Details:

6. Bankruptcy

- (a) Have you ever been declared bankrupt, made a voluntary assignment in bankruptcy, made a compromise or agreement with your creditors or gone out of business leaving debts outstanding, or produced a declaration under the Quebec Voluntary Deposit of Salary Wages Law, or has a receiver or a receiver and manager appointed by or at the request of your creditors ever assumed control of your assets?

Yes: No:

Jurisdiction of Filing: _____

Details:

If so, have you been discharged? *(A copy of the discharge must be attached.)*

- (b) Has any partnership or company of which you were at the time of such event a partner, director, officer, or beneficial owner of more than 10% of the voting securities ever been declared bankrupt or made a voluntary assignment in bankruptcy, or had control of its assets assumed by a receiver and manager appointed by or at the request of its creditors?

Yes: No:

Details:

7. Judgment Or Garnishment

Is any judgment or garnishment outstanding against you, in any civil court in any province, state or country for damages or other relief in respect of a fraud or for any reason whatsoever?

Yes: No:

Details:

Caution

A person who makes a false statement by statutory declaration commits an indictable offence under the *Criminal Code* that is punished by imprisonment for a term not exceeding fourteen (14) years. Steps will be taken to verify the answers you have given in this Form, including verification of information relating to any previous criminal record.

Acknowledgement

I HEREBY AUTHORIZE AND CONSENT TO THE COLLECTION BY ANY OF CNQ INC. AND ITS SUBSIDIARIES, AFFILIATES, REGULATORS AND AGENTS OF ANY INFORMATION WHATSOEVER (WHICH MAY INCLUDE PERSONAL, CREDIT, OR OTHER INFORMATION) FROM ANY SOURCE, INCLUDING WITHOUT LIMITATION AN INVESTIGATIVE AGENCY OR A RETAIL CREDIT AGENCY AS PERMITTED BY LAW IN ANY JURISDICTION IN CANADA OR ELSEWHERE. I ACKNOWLEDGE AND AGREE THAT SUCH INFORMATION MAY BE SHARED WITH AND RETAINED BY CNQ INC. AND ITS SUBSIDIARIES, AFFILIATES, REGULATORS AND AGENTS INDEFINITELY.

Date

Signature

ALL ATTACHMENTS MUST BE INITIALED BY THE PERSON COMPLETING THE FORM AND BY THE COMMISSIONER FOR OATHS. ALL SIGNATURES MUST BE ORIGINALS.

LIST ANY ATTACHMENTS:

8. — Statutory Declaration

I, _____ (Name of Person Completing this Form)

Do Solemnly Declare That

- (a) I have read and understand the questions, caution and acknowledgement in this Form;
- (b) The answers I have given to the questions in this Form and in any attachments to the Form are true and correct except where stated to be to the best of my knowledge in which case I believe the answers to be true; and
- (c) I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada *Evidence Act*.

SWORN/DECLARED before me at the)
 City of _____ in the Province)
 (or State) of _____ this _____ day)
 of _____, 20_____.)
 _____) _____
 A Commissioner of Oaths/Notary Public)
 My Appointment Expires: _____)
)

NOTARY'S SEAL:

Note: Where this form is sworn outside the Province of Ontario, it must be executed in the presence of a duly authorized Notary Public in and for the jurisdiction in which it is sworn.

FORM 4**QUOTATION AGREEMENT**

IN CONSIDERATION of the quotation of the securities referred to in the Issuer's Quotation Statement or in consideration of the subsequent quotation of all other securities, the undersigned (hereinafter called the "Issuer") hereby agrees with Canadian Trading and Quotation System Inc. (hereinafter called "CNQ") that:

1. The Issuer shall, and shall cause its Related Persons, employees, agents, and consultants to comply, be bound by and observe all existing regulations, by-laws, rules and policies of CNQ and all amendments and additions which may hereafter be made thereto and all applicable legal requirements including, but not limited to, those of its incorporating statutes, all laws, rules, regulations, policies, notices and interpretation notes, discussions, annals and directives of the Ontario Securities Commission and all securities regulatory authorities having jurisdiction over the Issuer and with all other laws, rules and regulations applicable to its business or undertaking.
2. Without limiting the generality of paragraph 1 hereof the Issuer shall:
 - (a) furnish to CNQ or the CNQ Market Regulator, at any time upon demand, all such material information or documentation concerning the Issuer as CNQ may require;
 - (b) not issue any securities without making the requisite postings required by the CNQ Policies;
 - (c) maintain transfer and registration facilities in the City of Toronto where all quoted securities shall be directly transferable and registrable, and no fee shall be charged for the transfer and registration of such securities (other than government stock transfer taxes);
 - (d) have on hand a sufficient supply of certificates to meet demand for the transfer of share certificates, such certificates to be in accordance with CNQ specifications, unless the class of securities is entirely book-based;
 - (e) post all forms, notices, particulars, reports, statements and information required by the CNQ Policies or otherwise by CNQ, in such detail and form, as CNQ may from time to time demand;
 - (f) make prompt public disclosure of any material information, whether favourable or unfavourable, in accordance with CNQ's Policies; and
 - (g) pay, when due, all applicable fees established by CNQ.
3. The Issuer acknowledges that CNQ shall have the right, at any time, to halt or suspend quotation in any securities of the Issuer with or without notice and with or without giving

any reason for such action, or to disqualify such securities for quotation in accordance with CNQ's Policies;

4. CNQ, at the Issuer's cost, may obtain independent advice or consulting services with respect to any matter relating to the Issuer provided that CNQ has first afforded the Issuer the opportunity to satisfy the particular filing requirements of CNQ with respect to such matter. The Issuer hereby agrees to fully reimburse and indemnify CNQ for all such expenses, costs and fees incurred by CNQ.
5. The Issuer submits to the jurisdiction of CNQ and the Market Regulator, including without limitation, CNQ and the Market Regulator regulation, investigation and enforcement jurisdiction.
6. The Issuer acknowledges that CNQ may collect such personal information about the Related Persons of the Issuer as it may require and, notwithstanding the qualification for quotation of its securities, the Issuer agrees that either (i) it will remove, or cause the resignation of or termination of the contract of, any Related Person which CNQ determines is not suitable; or (ii) CNQ may immediately disqualify for quotation the Issuer's securities.
7. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to conflicts of law rules.
8. Terms defined in the CNQ Policies are incorporated by reference into this Agreement.

Signed at _____ on the _____ day of _____, _____.

Name of Company

Signing Officer

Office Held

Signature

Signing Officer

Office Held

Signature

FORM 5**QUARTERLY QUOTATION STATEMENT**

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

This Quarterly Quotation Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the Securities Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNQ Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNQ.ca website.

General Instructions

- (a) Prepare this Quarterly Quotation Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the CNQ Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Quotation Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Quotation Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the Securities Act (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 5 Quarterly Quotation Statement is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

Issuer Details		For Quarter	Date of Report
Name of Issuer		Ended	YY/MM/D
Issuer Address			
City/Province/Postal Code		Issuer Fax No. ()	Issuer Telephone No. ()
Contact Name		Contact Position	Contact Telephone No.
Contact Email Address		Web Site Address	

FORM 6**CERTIFICATE OF COMPLIANCE****TO: CANADIAN TRADING AND QUOTATION SYSTEM INC. ("CNQ")**

_____ (the "Issuer") hereby certifies to CNQ
[Name of CNQ Issuer]

that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).

Date: _____

Signed: _____
(Signature)_____
(Print Name)_____
(Print Office)

FORM 7**MONTHLY PROGRESS REPORT**

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

Number of Outstanding Quoted Securities: _____

Date: _____

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNQ Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNQ.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNQ Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

- 1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.
- 2. Provide a general overview and discussion of the activities of management.
- 3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.
- 4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.
- 5. Describe any new business relationships entered into between the Issuer, the Issuer's

affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.
7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship..
8. Describe the acquisition of new customers or loss of customers.
9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.
10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.
11. Report on any labour disputes and resolutions of those disputes if applicable.
12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.
13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.
14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds⁽¹⁾

(1) *State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.
16. Provide details of any changes in directors, officers or committee members.
17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

<i>Issuer Details</i> Name of Issuer	For End	Month	Date of Report YY/MM/D
Issuer Address			
City/Province/Postal Code	Issuer Fax No. ()	Issuer Telephone No. ()	
Contact Name	Contact Position	Contact Telephone No.	
Contact Email Address	Web Site Address		

FORM 8**NOTICE OF PROPOSED PROSPECTUS OFFERING**

Please complete the following:

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

Date: _____

Is this an updating or amending Notice: Yes No

If yes provide date(s) of prior Notices: _____.

Issued and Outstanding Securities of Issuer Prior to Proposed Prospectus Offering: _____.

Date of News Release Announcing Proposed Prospectus Offering: _____.

(or provide explanation if news release not disseminated yet and expected date or circumstances that are expected to trigger news release dissemination)

1. Prospectus Offering

1. Description of securities to be issued:
 - (a) Class _____.
 - (b) Number _____.
 - (c) Price per security _____.
 - (d) Voting rights _____.
2. Provide details of the net proceeds to the Issuer as follows:
 - (a) Per security: _____.
 - (b) Aggregate proceeds: _____.
3. Provide description of any Warrants (or options) including:
 - (a) Number _____.
 - (b) Number of securities eligible to be purchased on exercise of Warrants (or options) _____.
 - (c) Exercise price _____.
 - (d) Expiry date _____.
 - (e) Other significant terms _____.
4. Provide the following information if debt securities are to be issued:
 - (a) Aggregate principal amount _____.
 - (b) Maturity date _____.
 - (c) Interest rate _____.
 - (d) Conversion terms _____.
 - (e) Default provisions _____.
5. Details of currently issued and outstanding shares of each class of shares of the Issuer: _____

 _____.

-
-
6. Describe any unusual particulars of the offering (i.e. tax “flow through” shares, special warrants, etc.).
_____.
7. Provide details of the use of the proceeds: _____
_____.
8. Provide particulars of any proceeds of the offering which are to be paid to Related Persons of the Issuer: _____
_____.
9. Provide details of the amounts and sources of any other funds that will be available to the Issuer prior to or concurrently with the completion of the offering: _____
_____.
10. Provide the following information for any agent’s fee, commission, bonus or finder’s fee, or other compensation paid or to be paid in connection with the offering (including warrants, options, etc.):
- (a) Details of any dealer, agent, broker, finder or other person receiving compensation in connection with the offering (name, address, beneficial ownership where applicable) _____.
 - (b) Cash _____.
 - (c) Securities _____.
 - (d) Other _____.
 - (e) Expiry date of any options, warrants etc. _____.
 - (f) Exercise price of any options, warrants etc. _____.
11. State whether the sales agent, broker, dealer, finder, or other person receiving compensation in connection with the offering is a Related Person of the Issuer with details of the relationship: _____

_____.
12. Provide details of the manner in which the securities being offered are to be distributed. Include details of agency agreements and sub-agency agreements outstanding or proposed to be made including any assignments or proposed assignments of any such agreements and any rights of first refusal on future offerings:

_____.
13. Attach any term sheet, engagement letter or other document setting out terms, conditions or features of the proposed offering.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance on behalf of the Issuer.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 8 Notice of Proposed Prospectus Offering is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

FORM 9

NOTICE OF PROPOSED ISSUANCE OF QUOTED SECURITIES
(or securities convertible or exchangeable into quoted securities)¹

Please complete the following:

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____ .

Date: _____ .

Is this an updating or amending Notice: Yes No

If yes provide date(s) of prior Notices: _____ .

Issued and Outstanding Securities of Issuer Prior to Issuance: _____ .

Date of News Release Announcing Private Placement: _____ .

Closing Market Price on Day Preceding the Issuance of the News Release: _____

1. Private Placement (if shares are being issued in connection with an acquisition (either as consideration or to raise funds for a cash acquisition), proceed to Part 2 of this form)

Full Name & Residential Address of Placee	Number of Securities Purchased or to be Purchased	Purchase price per Security (CDN\$)	Conversion Price (if Applicable)	Prospectus Exemption	No. of Securities, directly or indirectly, Owned, Controlled or Directed	Payment Date(1)	Describe relationship to Issuer (2)

(1) Indicate date each placee advanced or is expected to advance payment for securities. Provide details of expected payment date, conditions to release of funds etc. Indicate if the placement funds been placed in trust pending receipt of all necessary approvals.

(2) Indicate if Related Person.

1. Total amount of funds to be raised: _____ .

2. Provide full details of the use of the proceeds. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material. _____ .

¹ An issuance of non-convertible debt does not have to be reported unless it is a significant transaction as defined in Policy 7, in which case it is to be reported on Form 10.

3. Provide particulars of any proceeds which are to be paid to Related Persons of the Issuer: _____
4. If securities are issued in forgiveness of indebtedness, provide details and attach the debt agreement(s) or other documentation evidencing the debt and the agreement to exchange the debt for securities.
5. Description of securities to be issued:
- (a) Class _____ .
 - (b) Number _____ .
 - (c) Price per security _____ .
 - (d) Voting rights _____ .
6. Provide the following information if Warrants, (options) or other convertible securities are to be issued:
- (a) Number _____ .
 - (b) Number of securities eligible to be purchased on exercise of Warrants (or options) _____ .
 - (c) Exercise price _____ .
 - (d) Expiry date _____ .
7. Provide the following information if debt securities are to be issued:
- (a) Aggregate principal amount _____ .
 - (b) Maturity date _____ .
 - (c) Interest rate _____ .
 - (d) Conversion terms _____ .
 - (e) Default provisions _____ .
8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the placement (including warrants, options, etc.):
- (a) Details of any dealer, agent, broker or other person receiving compensation in connection with the placement (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer): _____ .
 - (b) Cash _____ .
 - (c) Securities _____ .
 - (d) Other _____ .
 - (e) Expiry date of any options, warrants etc. _____ .
 - (f) Exercise price of any options, warrants etc. _____ .
9. State whether the sales agent, broker, dealer or other person receiving compensation in connection with the placement is Related Person or has any other relationship with the Issuer and provide details of the relationship _____
10. Describe any unusual particulars of the transaction (i.e. tax "flow through" shares, etc.). _____
11. State whether the private placement will result in a change of control. _____

12. Where there is a change in the control of the Issuer resulting from the issuance of the private placement shares, indicate the names of the new controlling shareholders.
- _____
- _____

13. Each purchaser has been advised of the applicable securities legislation restricted or seasoning period. All certificates for securities issued which are subject to a hold period bear the appropriate legend restricting their transfer until the expiry of the applicable hold period required by Multilateral Instrument 45-102..

2. Acquisition

1. Provide details of the assets to be acquired by the Issuer (including the location of the assets, if applicable). The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material: _____
2. Provide details of the acquisition including the date, parties to and type of agreement (eg: sale, option, license etc.) and relationship to the Issuer. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the acquisition without reference to any other material: _____
3. Provide the following information in relation to the total consideration for the acquisition (including details of all cash, securities or other consideration) and any required work commitments:
- (a) Total aggregate consideration in Canadian dollars: _____
- (b) Cash: _____
- (c) Securities (including options, warrants etc.) and dollar value: _____
- (d) Other: _____
- (e) Expiry date of options, warrants, etc. if any: _____
- (f) Exercise price of options, warrants, etc. if any: _____
- (g) Work commitments: _____
4. State how the purchase or sale price was determined (e.g. arm's-length negotiation, independent committee of the Board, third party valuation etc).
5. Provide details of any appraisal or valuation of the subject of the acquisition known to management of the Issuer: _____
6. The names of parties receiving securities of the Issuer pursuant to the acquisition and the number of securities to be issued are described as follows:

Name of Party (If not an individual, name all insiders of the Party)	Number and Type of Securities to be Issued	Dollar value per Security (CDN\$)	Conversion price (if applicable)	Prospectus Exemption	No. of Securities, directly or indirectly, Owned, Controlled or Directed by Party	Describe relationship to Issuer ⁽¹⁾

- (1) Indicate if Related Person
7. Details of the steps taken by the Issuer to ensure that the vendor has good title to the assets being acquired: _____
8. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the acquisition (including warrants, options, etc.):
- (a) Details of any dealer, agent, broker or other person receiving compensation in connection with the acquisition (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer): _____
 - (b) Cash _____
 - (c) Securities _____
 - (d) Other _____
 - (e) Expiry date of any options, warrants etc. _____
 - (f) Exercise price of any options, warrants etc. _____
9. State whether the sales agent, broker or other person receiving compensation in connection with the acquisition is a Related Person or has any other relationship with the Issuer and provide details of the relationship. _____
10. If applicable, indicate whether the acquisition is the acquisition of an interest in property contiguous to or otherwise related to any other asset acquired in the last 12 months. _____
- _____
- _____

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance on behalf of the Issuer.
2. As of the date hereof there is not material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 9 Notice of Private Placement is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

FORM 10
NOTICE OF PROPOSED SIGNIFICANT TRANSACTION (not involving an issuance or potential issuance of a quoted security)¹

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

Issued and Outstanding Securities of the Issuer Prior to Transaction: _____

Date of News Release Fully Disclosing the Transaction: _____

1. Transaction

1. Provide details of the transaction including the date, description and location of assets, if applicable, parties to and type of agreement (eg: sale, option, license, contract for Investor Relations Activities etc.) and relationship to the Issuer. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material: _____

2. Provide the following information in relation to the total consideration for the transaction (including details of all cash, non-convertible debt securities or other consideration) and any required work commitments:
 - (a) Total aggregate consideration in Canadian dollars: _____
 - (b) Cash: _____.
 - (c) Other: _____.
 - (d) Work commitments: _____.
3. State how the purchase or sale price and the terms of any agreement were determined (e.g. arm's-length negotiation, independent committee of the Board, third party valuation etc).
4. Provide details of any appraisal or valuation of the subject of the transaction known to management of the Issuer: _____
_____.
5. If the transaction is an acquisition, details of the steps taken by the Issuer to ensure that the vendor has good title to the assets being acquired: _____
_____.
6. Provide the following information for any agent's fee, commission, bonus or finder's fee, or other compensation paid or to be paid in connection with the transaction (including warrants, options, etc.):
 - (a) Details of any dealer, agent, broker or other person receiving compensation in connection with the transaction (name, address. If a corporation, identify persons owning or exercising voting control over 20% or more of the voting shares if known to the Issuer): _____.
 - (b) Cash _____.

¹ If the transaction involved the issuance of securities, other than debt securities that are not convertible into quoted securities, use Form 9.

(c) Other _____.

7. State whether the vendor, sales agent, broker or other person receiving compensation in connection with the transaction is a Related Person or has any other relationship with the Issuer and provide details of the relationship. _____
8. If applicable, indicate whether the transaction is the acquisition of an interest in property contiguous to or otherwise related to any other asset acquired in the last 12 months. _____
- _____
- _____

2. Development

Provide details of the development. The disclosure should be sufficiently complete to enable a reader to appreciate the significance of the transaction without reference to any other material:

3. Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. To the knowledge of the Issuer, at the time an agreement in principle was reached, no party to the transaction had knowledge of any undisclosed material information relating to the Issuer, other than in relation to the transaction.
3. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
4. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario)) and all CNQ Requirements (as defined in CNQ Policy 1).
5. All of the information in this Form 10 Notice of Proposed Significant Transaction is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

FORM 11

NOTICE OF PROPOSED STOCK OPTION GRANT OR AMENDMENT

Name of CNQ Issuer: _____ (the "Issuer").

Trading Symbol: _____

Date: _____

1. New Options Granted:

Date of Grant: _____

Name of Optionee	Position (Director/ Officer/ Employee/ Consultant/ Management Company)	Insider Yes or No?	No. of Optioned Shares	Exercise Price	Expiry Date	No. of Options Granted in Past 12 Months

Total Number of optioned shares proposed for acceptance: _____ .

2. Other Presently Outstanding Options:

Name of Optionee	No. of Optioned Shares ⁽¹⁾	Exercise Price	Original Date of Grant	Expiry Date

(1) Set out number of optioned shares for each grant with different terms.

3. Additional Information

- (a) If shareholder approval was required for the grant of options (including prior approval of a stock option plan), state the date that the shareholder meeting approving the grant was or will be held.
- (b) State the date of the news release announcing the grant of options.
- (c) State the total issued and outstanding share capital at the date of grant or amendment.

- (d) State, as a percentage of the issued and outstanding shares of the Issuer indicated in (c) above, the aggregate number of shares that are subject to incentive stock options, including new options, amended options and other presently outstanding options.
- (e) If the new options are being granted pursuant to a stock option plan, state the number of remaining shares reserved for issuance under the plan.
- (f) If the Issuer has completed a public distribution of its securities within 90 days of the date of grant, state the per share price paid by the public investors.
- (g) Describe the particulars of any proposed material changes in the affairs of the Issuer.

4. Certificate of Compliance

The undersigned hereby certifies that:

- 1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
- 2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
- 3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario) and all CNQ Requirements (as defined in CNQ Policy 1).
- 4. All of the information in this Form 11 Notice of Proposed Stock Option Grant or Amendment is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

FORM 12

**NOTICE OF PROPOSED STOCK CONSOLIDATION
OR RECLASSIFICATION**

Name of CNQ Issuer: _____ (the "Issuer")

Trading Symbol: _____

Date: _____

This form is to be used to report a proposed reclassification, which is any change to the terms of a quoted security other than a stock split or dividend.

1. Provide full details of the reclassification

2. Number of securities outstanding and reserved for issuance following the reclassification

3. Describe the anticipated impact of the reclassification on the liquidity of the market for the quoted security and on voting and equity rights of public shareholders

4. Date of shareholders' meeting to approve the reclassification

5. Record date for the reclassification

6. Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly

authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNQ that the Issuer is in compliance with the requirements of Ontario securities law (as defined in the *Securities Act* (Ontario) and all CNQ Requirements (as defined in CNQ Policy 1).
4. All of the information in this Form 12 Notice of Proposed Stock Consolidation or Reclassification is true.

Dated _____.

Name of Director or Senior Officer

Signature

Official Capacity

CNQ DEALER APPLICATION

GENERAL INSTRUCTIONS

Please complete the following application form and submit it with the application fee. If you have any questions regarding this application please contact Natasha Blackburn at 416-572-2478.

Part 1 General Information:

1. Please state the full legal name of the company.

2. Please provide a general description of the company's principal business and the services offered for use on the CNQ website Dealer directory.

3. Head Office Address

Please provide the complete address.

Address:

Tel:

Fax:

Website:

4. Representative of CNQ Dealer

Please provide the name and contact information of the individual appointed as the CNQ representative. (The representative must be a senior officer, director or partner of the Dealer firm)

Name & Title:

Address (if different from Head office):

Direct Tel:

Direct Fax:

Email:

5. Head of Trading

Please provide the name, telephone number and email address of the person appointed as head of trading.

6. Head Compliance Officer

Please provide the name, telephone number and email address of the person appointed as the firm's compliance officer.

7. Technical Contact

Please provide the name, telephone number and email address of the person appointed as the firm's technical/operations person (for connectivity and technical implementation information).

8. Dealer TSX Trading Number

9. CDS Clearing Number

10. Market Making

Please indicate whether your firm would be interested in participating as a market maker for CNQ Issuer securities.

- Yes
- No

A market making form must be filled out for each CNQ Issuer for which a market will be made and is available at www.cnq.ca under the dealer section.

Part 2 CNQ Trading Access:**2.1 Order Entry Systems (OE):**

Order Entry functionality will be provided through either a dedicated CNQ Workstation or through an Order Entry vendor. Please indicate your Order Entry interface preference by checking a selection below. More than one selection may be made.

- Dedicated CNQ Workstation
- Reuters CXTrader
- Belzberg Order Entry System
- Kasten Chase KTA Trader
- Other (please specify) _____

2.2 Trading Workstations:

Please specify the number of trading workstations requiring access to the CNQ marketplace and the complete addresses where they will be employed.

- _____ CNQ Dedicated Terminal
- _____ Other OE Terminal

Address(s):

2.3 Traders:

Please list the name, phone numbers and email addresses of all traders requiring access to the CNQ marketplace and place a check mark in the appropriate box to indicate if the trader is an Approved Trader on the TSX or TSX Venture Exchange and whether the trader has completed the CSI Trader Training Course (check all that apply)

NAME	PHONE NUMBER	EMAIL ADDRESS	TSX	TSX-V	CSI TRADER TRAINING

Part 3 Dealer Banking Information:

A dealer that has been accepted as a CNQ Dealer shall pay before beginning to trade on the CNQ system, the set up fee as may from time to time be fixed by CNQ. If the application fee is not received within 30 days of acceptance such acceptance shall lapse.

A CNQ Dealer shall pay such fees and charges as shall be fixed by the CNQ, which shall become due and payable to the CNQ within 30 days.

This application must be accompanied with a cheque representing the full application fee as well as a void cheque for the automatic withdrawal of monthly maintenance fees that will begin when the CNQ marketplace commences operations.

Please provide the name, telephone number and email address of the contact person responsible for accounts payable.

The applicant hereby certifies that the foregoing statements are true and correct to the best of their knowledge and hereby undertakes to notify CNQ in writing of any material changes herein as prescribed in the CNQ rules.

Dated at _____ this _____ day of _____

By _____
Print Name of Applicant

Print Name of Partner or Senior Officer appointed as CNQ Representative

Title

Signature

CNQ DEALER APPLICATION

This Agreement made as of the ___ day of _____, 200_.

Between:

Canadian Trading and Quotation System Inc. BCE Place, Canada Trust Tower 161 Bay Street, 27 th Floor, Box 508 Toronto, Ontario M5J 2S1 (Called "CNQ")
--

-And-

_____ Name of Dealer firm
_____ Address
_____ Address
_____ Address (Called the "applicant")

In consideration for being granted access to trade on the CNQ System, the Applicant affirms that it is a member in good standing of the Investment Dealers Association of Canada (IDA) and is registered with the Ontario Securities Commission. The applicant agrees that so long as it remains a participating CNQ dealer it will remain a member of the IDA and will remain registered under the applicable laws of the province of Ontario.

The applicant acknowledges that it has received a copy of CNQ's Rules and agrees to comply with all CNQ Requirements, as amended from time to time. The Applicant undertakes to ensure that, as a term of their employment, all partners, directors, officers and other persons authorized to trade on the CNQ System or advise on the trading of securities on the CNQ System, or any other employee to the extent that such employee has the approval of a self-regulatory organization ("Approved Person") are aware of CNQ Requirements and will be made aware of any amendment or addition to CNQ Requirements.

The Applicant submits to the jurisdiction of CNQ and to the Market Regulator, including without limitation the ability of CNQ and the Market Regulator to monitor the conduct of the applicant, its Related Persons and employees and to enforce compliance with CNQ Requirements. The Applicant agrees to, and as a term of their employment have all Approved Persons agree to comply with any orders or directions from CNQ or the Market Regulator, including an order or direction prohibiting the Applicant or any Related Person or Approved Person of the Applicant from trading on the CNQ System, subject to any right to appeal such order or direction under the CNQ Rules, UMIR or Ontario Securities Law.

The Applicant agrees to provide CNQ and the Market Regulator with any assistance reasonably requested in conducting an investigation and with information, files data or documents reasonably requested by CNQ of the Market Regulator.

Terms used in this Agreement shall have the meaning ascribed to them in Rule 1 of the CNQ Rules, unless the context otherwise requires.

Dated at _____ this _____ day of _____

By

Print Name of Applicant

Print Name of Partner or Senior Officer appointed as CNQ Representative

Title

Signature

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