

POLICY 5.3

ACQUISITIONS AND DISPOSITIONS OF NON-CASH ASSETS

Scope of Policy

This Policy applies where an Issuer proposes to acquire or dispose of assets (other than cash) or securities. Acquisitions and dispositions are divided into several categories. Generally, the more significant the transaction, the more detailed the Exchange review and required disclosure of the transaction will be. This Policy does not apply to CPCs.

In circumstances where an acquisition or disposition will constitute a Change of Business or a Reverse Takeover, Issuers must comply with the requirements of Policy 5.2 – *Changes of Business and Reverse Takeovers*. Issuers are also reminded that this Policy must be read in conjunction with Policy 5.9.

The main headings in this Policy are:

1. General
2. Exchange Requirements
3. Exempt Transactions
4. Expedited Acquisitions
5. Reviewable Transactions
6. Treasury Orders and Resale Restrictions
7. Restrictions on Investments by Issuers
8. Mergers, Amalgamations, Reorganizations and Take-overs

1. General

Categories of Transactions

There are many types of acquisitions and dispositions that vary in materiality to the Issuer. Given that it is not appropriate to treat each transaction in the same manner, the Exchange has developed the following transaction categories to deal with the range of transactions:

“Exempt Transactions” are transactions which are relatively insignificant to an Issuer’s operations and which involve no issuance of securities by the Issuer (or its subsidiaries). An Exempt Transaction can be conducted without Exchange acceptance or review and requires no filing with the Exchange. The criteria for a transaction to qualify as an exempt acquisition or an exempt disposition are described in section 3.1.

“Expedited Acquisitions” are arm’s length acquisitions that do not require prior Exchange review because of their size and other built-in restrictions. The criteria and filing requirements for Expedited Acquisitions are outlined in Section 4.

“Fundamental Acquisitions” are Reviewable Transactions where one or more assets, properties or businesses or an interest therein is acquired, in respect of which:

- (a) at least 50% of the Issuer’s assets, resources, planned expenditures or management time commitment will be devoted over the next 12 month period; or
- (b) at least 50% of the Issuer’s anticipated revenues for the next 12 months are expected to be derived.

“Reviewable Transactions” are transactions which are considered more significant than Exempt or Expedited Transactions, either by virtue of the size of the acquisition or disposition, or the fact that it involves Non Arms Length Parties. All transactions that do not qualify as either Exempt Transactions or Expedited Acquisitions are “Reviewable Transactions”. Issuers must obtain prior Exchange acceptance for all Reviewable Transactions.

2. Exchange Requirements

Pricing

- 2.1 Where securities are issued as consideration in a non-cash asset transaction, the deemed value of the transaction will be calculated using the Discounted Market Price of the securities.

Issuance of Other Securities

- 2.2 Where the consideration is in the form of convertible securities, the provisions applicable to convertible securities in Policy 4.1 - *Private Placements* are applicable.
- 2.3 Any finder’s fees paid must comply with Policy 5.1 – *Loans, Bonuses, Finder’s Fees and Commissions*.
- 2.4 Any Warrants issued must comply with the provisions dealing with Warrants in Policy 4.1 - *Private Placements*.

Calculation of Issued and Issuable Securities

- 2.5 In this Policy, except in relation to the requirement for Shareholder approval, a reference to percentages of securities means percentages calculated on a non-fully diluted basis, so that any Warrants acquired in the transaction are excluded from the numerator and the denominator includes only the outstanding securities at completion of the transaction.

Issuer's Obligations

- 2.6 Whether or not the Exchange reviews a transaction, the Issuer should be satisfied with the material aspects of the transaction, including that:
- (a) the consideration payable for the acquisition of the asset, business, property or interest (and any related finder's fee) is reasonable;
 - (b) the vendor or optionor has or will have title to, and has the power and authority to sell or option the applicable asset, business or property interest;
 - (c) the Issuer has the legal ability, power and authority to acquire such asset, business, or property interest;
 - (d) the Issuer has the financial or other resources necessary to acquire and develop the assets, business or property being acquired without materially adversely affecting the Issuer's financial viability; and
 - (e) any securities to be issued will be issued as fully paid.

3. Exempt Transactions

Exempt Acquisitions and Dispositions

- 3.1 A transaction that meets the following criteria is exempt from Exchange review and no Exchange filing is required:
- (a) the transaction does not involve the issuance of the Issuer's securities;
 - (b) none of the vendors, or optionors, or purchasers of the asset, business or property interest is a Non Arms Length Party of the Issuer or its Associates or Affiliates;
 - (c) the transaction is conducted in the normal course of the Issuer's operations;
 - (d) the Issuer is not an Issuer that has not been put on notice that it does not meet Tier 2 CLR and may have its listing transferred to NEX pursuant to Policy 2.5 - *Continued Listing Requirements and Inter-Tier Movement*;
 - (e) the transaction is not being conducted in conjunction with or in contemplation of an undisclosed Material Change;
 - (f) the transaction is not a Fundamental Acquisition;
 - (g) the transaction is not a Change of Business or Reverse Takeover and is not being conducted in conjunction with or in contemplation of a Change of Business or Reverse Takeover;

- (h) the transaction will not result in the Issuer ceasing to meet Continued Listing Requirements;
- (i) if the transaction is a disposition, the fair market value of the asset, business or property interests being disposed of is less than 25% of the fair market value of the Issuer's operating assets, business or property interests prior to the acquisition, and less than 25% of the Issuer's revenues in the past 12 months have been derived from those assets, business or property interests; and
- (j) the Issuer is not halted, suspended or in default of any provisions of applicable Securities Laws.

4. Expedited Acquisitions

Eligibility

- 4.1 An acquisition by an Issuer can be conducted on an expedited basis if:
- (a) the vendor (or optionor) of the asset, property or business is not a Non-Arm's Length Party of the Issuer or its Associates or Affiliates;
 - (b) the acquisition is not a Change of Business or Reverse Takeover and is not being conducted in conjunction with or in contemplation of a Change of Business or Reverse Takeover;
 - (c) the acquisition is not of an asset or business which is in an industry which is different from the Issuer's primary business;
 - (d) the acquisition does not involve a property or asset which is contiguous with or related to a property or asset which has been acquired from the same vendor within the previous six months;
 - (e) the acquisition is not being conducted in conjunction with or in contemplation of an undisclosed Material Change;
 - (f) the Issuer is only issuing shares or Warrants convertible into shares;
 - (g) any securities issued as consideration for the acquisition do not result in any Person who was previously not an Insider becoming an Insider of the Issuer;
 - (h) the Issuer is not an Issuer that has been put on notice to have its listing transferred to NEX pursuant to Policy 2.5 - *Continued Listing Requirements and Inter-Tier Movement*;
 - (i) the transaction is not a Fundamental Acquisition; and

- (j) the aggregate number of securities issued by the Issuer under the Expedited Private Placement or Expedited Acquisition filing procedures within the previous 6 months does not exceed 50% of the Issuer's issued and outstanding securities prior to the acquisition. Finder's fees securities are not included in the calculation of securities issued under the expedited filing system for this purpose.
- 4.2 An Issuer which has exceeded the 50% limit described in section 4.1(j) may apply by letter to the Exchange to have the limit reset, or otherwise must file the transaction as a Reviewable Transaction.
- 4.3 An Issuer that has been advised by the Exchange that it is no longer permitted to rely upon the Expedited Acquisition filing procedures must file all non-exempt acquisitions and dispositions as if they were Reviewable Transactions.

Exchange Audit

- 4.4 Although the Exchange does not generally review Expedited Acquisitions as they are submitted, it will undertake an audit process from time to time to review selected Expedited Acquisitions upon filing as well as after they are processed. If the audit reveals significant problems with an Expedited Acquisition, or if the Exchange deems it to be in the public interest, the Exchange may prohibit the Issuer from using the Expedited Acquisition system in the future.
- 4.5 The Issuer must obtain adequate evidence of value for the consideration paid. Although the Issuer is not required to file this evidence with the Expedited Acquisition Filing Form, the Exchange can request this evidence during an audit.

Expedited Acquisition Filing Requirements and Procedures

- 4.6 On or before the closing of an acquisition that qualifies as an Expedited Acquisition, the Issuer must file:
- (a) Form 5B - Expedited Acquisition Form ; and
 - (b) the applicable fee as prescribed by Policy 1.3 - *Schedule of Fees*.
- 4.7 The Exchange will send a final acceptance letter to the Issuer when it accepts the Expedited Acquisition. This will generally be after the first business day on which the Expedited Acquisition Filing Form and applicable fee are filed.
- 4.8 If terms of the transaction change after the filing of the Form 5B - Expedited Acquisition Form, the Issuer must file an "Amended" Form 5B as soon as it becomes aware of the change. If terms of the transaction or the circumstances of the Issuer change such that the transaction no longer qualifies as an Expedited Acquisition, the Issuer must then comply with the Reviewable Transaction procedures and any other applicable Exchange Requirements.

5. Reviewable Transactions

- 5.1 Any transaction subject to this Policy which is not an Exempt Transaction or Expedited Acquisition is a Reviewable Transaction.

News Release and Transaction Summary Form

- 5.2 Subject to section 5.5, as soon as an agreement is reached with respect to a Reviewable Transaction, the Issuer must immediately issue a news release and file Form 5C - *Transaction Summary Form*, with the news release as an attachment.
- 5.3 The news release must comply with Policy 3.3 - *Timely Disclosure* and provide summary disclosure of:
- (a) the nature of the asset, business or property interest to be acquired or disposed of;
 - (b) the parties to the transaction;
 - (c) the proposed consideration and method of payment;
 - (d) details of any finder's fee to be paid;
 - (e) any relationship involving any Non Arm's Length Party and the Issuer, its Insiders and the sellers or optionors of the asset, business or property interest; and
 - (f) if applicable, any additional disclosure required by MI 61-101.

Transactions Forming Part of a COB or RTO

- 5.4 Where an Issuer undertakes a transaction that forms part of a COB or RTO, it must disclose this information in its Exchange filing application and in the news release disclosing the transaction, and comply with Policy 5.2 - *Changes of Business and Reverse Takeovers*.

Conditional Acceptance

- 5.5 If the Exchange is satisfied with the Form 5C - *Transaction Summary Form*, it will issue a conditional acceptance letter. The Issuer must not close the transaction (except in trust, conditional upon final Exchange acceptance) until it has received final Exchange acceptance. Final Exchange acceptance will not be issued until all applicable documents required by this Policy have been received and reviewed.

Trading Halts

- 5.6 (a) Before issuing any news release, an Issuer intending to announce a Reviewable Transaction must contact the Regulation Services Provider to discuss whether a trading halt is necessary.

- (b) A trading halt will generally not be required, except where there is:
 - (i) a Change of Control;
 - (ii) a Fundamental Acquisition;
 - (iii) a transaction that will result in new shareholders holding more than 50% of the outstanding securities; or
 - (iv) a sale of more than 50% of an Issuer's assets, business or undertaking.
- (c) If a trading halt is required, it will be brief provided that the news release is sufficiently comprehensive and it appears to the Exchange that the transaction will be acceptable upon filing of all materials.
- (d) A trading halt will generally be lifted after the Exchange has had an opportunity to review:
 - (i) a draft agreement in respect of the transaction;
 - (ii) Personal Information Forms or, if applicable, Declarations for any new or proposed new Insiders;
 - (iii) a Geological Report for any natural resource property acquisition or an independent Geological Report, if the natural resource property acquisition is a Fundamental Acquisition or involves Non-Arm's Length Parties; and
 - (iv) audited financial statements of the Company conducting the business or owning a material portion of the assets of a business proposed to be acquired, if required by the Exchange.
- (e) Where a halt in trading has been required in connection with the transaction, the Issuer must issue a news release regarding the status of the transaction every 30 days following any trading halt, until the transaction is complete and a news release has been issued confirming closing of the transaction.

Reviewable Acquisitions - Procedure

- 5.7 For a Reviewable Transaction that is an acquisition (the "Reviewable Acquisition"), the Issuer must submit the following documents to the Exchange (if not already provided to resume trading) within 30 days after the Exchange's conditional acceptance and before closing:

- (a) a Geological Report, if the acquisition is of an interest in a natural resource property (including a security acquisition of another Company which holds title to the natural resource property) but where such an acquisition is a Fundamental Acquisition or involves Non-Arm's Length Parties, an independent Geological Report must be submitted;
- (b) a financial plan or other evidence demonstrating that the Issuer has, or will have upon closing, the financial resources to close the transaction and,
 - (i) if the acquisition is of a natural resource exploration or development property, that the Issuer has, or will have upon closing, the financial resources to fund its property payment obligations for a minimum of six months and the first stage of any recommended work program, or
 - (ii) if the acquisition is of non-natural resource assets, that the Issuer has sufficient working capital and financial resources for a six month period;
- (c) audited financial statements of a Company where the Issuer undertakes an acquisition of another Company or material assets of another Company. The Exchange may waive the requirement for audited financial statements provided other satisfactory financial statements or evidence of value is available;
- (d) evidence of value supporting the consideration to be paid for the asset, business or property interest, if required by section 5.11;
- (e) a copy of the transaction agreement(s), including relevant underlying agreements;
- (f) a completed Personal Information Form or, if applicable, a completed Declaration for any new Insiders of the Issuer resulting from the transaction;
- (g) if a finder's fee is payable, a copy of the finder's fee agreement which complies with Policy 5.1 - *Loans, Bonuses, Finder's Fees and Commissions*;
- (h) a title opinion, if required under section 5.10;
- (i) a business plan, if requested by the Exchange, for the acquisition of a non-natural resource Issuer or the assets of a non-natural resource Issuer,
- (j) a comprehensive news release or other disclosure document if required under section 5.13;
- (k) evidence of shareholder approval if required under sections 5.14 through 5.17, or Policy 5.9;
- (l) a Sponsor Report, if required under section 5.18;
- (m) any other documents or information requested by the Exchange; and

- (n) the applicable fee as prescribed by Policy 1.3 - *Schedule of Fees*.

Exemptions from Filing Requirements

5.8 Where the Reviewable Transaction would qualify as an Expedited Transaction but for the fact that either:

- (a) the transaction involves Non-Arm's Length Parties; or
- (b) more than 50% of the Issuer's outstanding securities have been issued pursuant to Expedited Filings in the previous 6 months;

the Exchange will generally waive the requirements in sections 5.7(a), (b) and (c), unless the transaction is subject to Policy 5.9.

Reviewable Dispositions - Procedure

5.9 For a Reviewable Transaction that is a disposition (the "Reviewable Disposition"), the Issuer must submit the following documents to the Exchange within 30 business days after an agreement is reached to dispose of assets:

- (a) a Geological Report if the transaction consists of a disposition to a Non-Arm's Length Party of a natural resource property interest;
- (b) evidence of value if required under section 5.11 or Policy 5.9;
- (c) a copy of the transaction agreement(s), including relevant underlying agreements;
- (d) evidence of Shareholder approval if required under sections 5.14 through 5.17;
- (e) any other documents or information requested by the Exchange; and
- (f) the applicable fee as prescribed by Policy 1.3 - *Schedule of Fees*.

Reviewable Transactions - Additional Documents and Requirements

Title Opinions

5.10 The Exchange generally considers a title opinion to be necessary for:

- (a) a Reviewable Acquisition of a foreign asset, business or property;
- (b) a transaction resulting in a Change of Control;
- (c) any acquisition which results in new shareholders holding 50% or more of the outstanding securities of the Issuer; and
- (d) an acquisition of a property interest that will become the Issuer's primary property.

Evidence of Value

- 5.11 The Exchange will generally require evidence of value for:
- (a) any acquisition involving a Non-Arm's Length Party;
 - (b) a Reviewable Disposition to one or more Non-Arm's Length Parties; and
 - (c) a Reviewable Disposition that is a sale of more than 50% of the Issuer's assets, business or undertaking.
- 5.12 An Issuer can provide evidence of value in a number of ways as described in Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

Disclosure

- 5.13 The Exchange may require the Issuer to submit a Disclosure Document or disseminate a comprehensive news release for:
- (a) an acquisition which results in new shareholders holding an aggregate of 50% or more of the outstanding securities of the Issuer;
 - (b) a Reviewable Disposition that is a sale of more than 50% of the Issuer's assets, business or undertaking; or
 - (c) a Reviewable Acquisition that occurs concurrently with a Change of Management.

Shareholder Approval

- 5.14 The Exchange generally requires shareholder approval for:
- (a) any transaction which results in the creation of a new Control Person;
 - (b) any transaction where the number of securities issued or issuable to Non-Arm's Length Parties as a group as payment of the purchase price for an acquisition, exceeds 10% of the number of outstanding securities of the Issuer on a non-diluted basis, prior to the closing date of the transaction; and
 - (c) a Reviewable Disposition which is a sale of more than 50% of the Issuer's assets, business or undertaking.
- 5.15 The Exchange may require shareholder approval for a transaction for which the consideration to be paid exceeds the Exchange's vendor consideration guidelines set out in Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

- 5.16 If the vendors or optionors of any asset, property or business to be acquired are Non-Arm's Length Parties of the Issuer:
- (a) the votes of the Non-Arm's Length Parties must be excluded from the calculation of shareholder approval, or
 - (b) if the transaction is subject to Policy 5.9 then, subject to section 5.17, the Issuer must obtain shareholder approval in accordance with the requirements of Policy 5.9.
- 5.17 The Exchange may accept the written consent of shareholders holding over 50% of the issued securities of the Issuer, if it is satisfied that the shareholders were fully informed of the proposed transaction and the Issuer has obtained any exemptions required under applicable Securities Laws.

Sponsor Reports

- 5.18 Although the Exchange does not generally require a Sponsor Report in connection with an acquisition governed by this Policy, it may do so if it considers it necessary or advisable.

6. Treasury Orders and Resale Restrictions

- 6.1 Securities issued may be subject to Resale Restrictions, including hold periods under applicable Securities Laws. The Issuer must comply with applicable Securities Laws, including any requirement to legend the securities with any Resale Restriction or hold period or any requirement to advise the recipient of the securities of any Resale Restriction or hold period.
- 6.2 Subject to section 5 of Policy 3.2 - *Filing Requirements and Continuous Disclosure*, securities subject to an Exchange Hold Period must be legended with a four month hold period.

7. Restrictions on Investments by Issuers

- 7.1 Tier 2 Issuers (other than Investment Issuers) are not permitted to purchase securities of other reporting issuers for cash, either in the secondary market or as a Private Placement from treasury, except where the Issuer is participating in a joint venture and the investment consists of subscription to a Private Placement in the partner in the joint venture.

8. Mergers, Amalgamations, Reorganizations and Take-overs

- 8.1 An Issuer must not proceed with a merger, amalgamation, reorganization or the making of a take-over bid (a “Reorganization”) whether exempt or otherwise, until the Exchange has accepted notice of the Reorganization.
- 8.2 In certain circumstances, a Reorganization may form part of a Reactivation, Change of Business or Reverse Takeover, in which case the Issuer must comply with all of the requirements of the applicable policies. See Policy 2.6 – *Reactivation of NEX Companies* and Policy 5.2 - *Changes of Business and Reverse Takeovers*.
- 8.3 When an agreement is reached which results or may reasonably be expected to result in a Re-organization, the Issuer must:
- (a) file with the Exchange a letter describing the proposed transaction, together with a draft copy of any Information Circular or other disclosure document to be provided to the Issuer’s shareholders; and
 - (b) if the Re-organization constitutes a Material Change requiring disclosure under applicable Securities Laws or Policy 3.3 - *Timely Disclosure*, immediately issue the required news release.
- 8.4 Before the Exchange will accept any Reorganization, it may require certain supporting documents to be filed, including:
- (a) evidence of (disinterested) shareholder approval;
 - (b) a Sponsor Report;
 - (c) a business plan, valuation, Geological Report or other expert report or opinion;
 - (d) complete filings pursuant to Exchange Policy relating to transactions undertaken pursuant to the Reorganization (e.g. Private Placements, stock options, etc.);
 - (e) a disclosure document, such as an Information Circular, Filing Statement or any other document prescribed by the Exchange; and
 - (f) Personal Information Forms or, if applicable, Declarations.
- 8.5 The Exchange may also require a trading halt to provide time for dissemination of information.
-