

TSXV INSIGHT

Welcome to the third edition of TSX Venture Insight

With this biannual newsletter, we aim to inform you of matters relating to TSX Venture Exchange (TSXV), including news and events from the Exchange, education and important facts and figures.

In this issue of TSX Venture Insight, we shine a light on the oil and gas sector on TSXV, which has seen upward momentum in terms of equity capital raised during the first half of 2014. In addition, we look closely at the Canadian merger and acquisition (M&A) market and point to helpful information for companies considering growth through inorganic means. We also highlight a recent announcement by TMX Group about key changes to its equities markets, which are aimed at streamlining its equities trading offering. Finally, we continue our interview series with the CEO of Canada's first publicly listed medical marijuana company: Tweed Marijuana Inc. ([TSXV:TWD](#))

We hope you enjoy the new TSX Venture Insight, and we welcome your comments and questions. If you have a suggestion for a future article, please contact the *TSX Venture Insight* team at tsxv.info@tsx.com.

TSX VENTURE EXCHANGE* FACTS & FIGURES

Q3 2014

1998

companies listed

93

new companies listed

-3.19%

 S&P/TSXV Composite Index
performance

\$32.5 billion

market capitalization

\$3.8 billion

in equity capital raised

*Excludes NEX

H1 2014

2,042

companies listed

\$3.3 million

median market capitalization

\$2.6 billion

in equity capital raised

\$35 billion

market capitalization

59

new companies listed

833

financings

\$17 million

average market capitalization

21 billion

shares traded

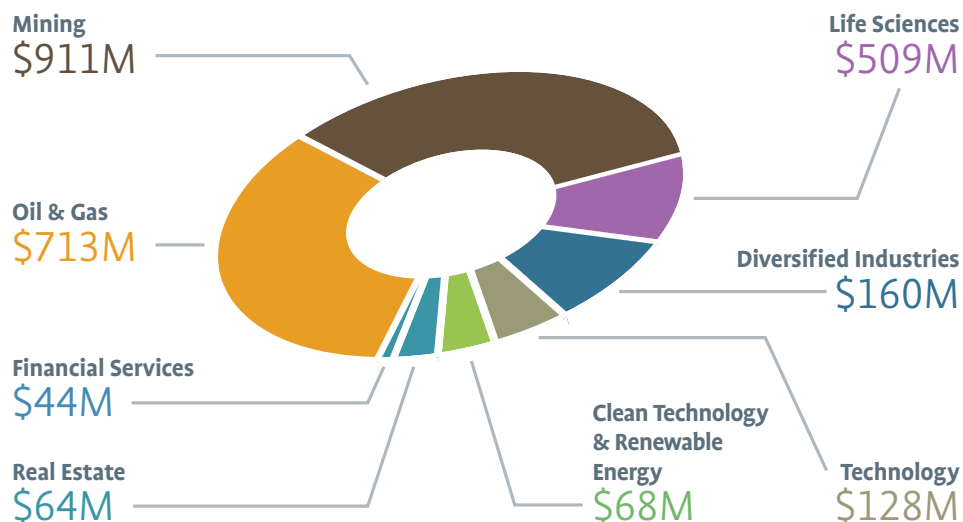
\$3.1 million

average financing

FOCUS ON EQUITY CAPITAL

TSX Venture Exchange (TSXV) is a public venture capital marketplace for emerging companies, providing a fair marketplace where growth companies can raise capital to develop and market their properties, products and services. During the first half of 2014, TSXV-listed companies raised \$2.6 billion in equity capital through over 800 financings, a 44% increase over the amount of equity capital raised during the same time period last year.

**EQUITY CAPITAL RAISED
ON TSXV IN H1 2014
BY SECTOR**



LISTED COMPANY SPOTLIGHT: “THE VIEW FROM THE C-SUITE”



Joining us to open the market to celebrate a new listing or corporate milestone? Then we also invite your listed company to participate in a video interview immediately following the Market Open Ceremony.

Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV) recently launched a new company video interview series to help shine a light on investment opportunities that can be found on the exchanges. Titled “The View from the C-Suite,” this interview series highlights the unique perspectives of publicly listed companies, and provides insight into how business leaders think in the current environment. Interviews are available at no cost and are intended to help raise awareness of your company with retail investors, while also presenting objective information about your business goals.

Interviews are typically three to five minutes in length and are filmed in our fully-equipped, state-of-the-art TMX Broadcast Studio in Toronto, with Canada’s capital markets as your backdrop. Once edited by a team of experts, the finished product will be included in your company’s Market Open DVD package, as well as published on TMX.com, TMXmoney.com – Canada’s leading financial information portal – as well as broadcasted through TMX social channels, including YouTube, Twitter and LinkedIn. Your company is also welcome to share the video through its own channels.

Here are three TSXV-listed companies that have participated thus far:

Steven N. Davidson, CEO, Agility Health, Inc. **TSXV:AH1**

David Field, President and CEO, OneRoof Energy Group, Inc. **TSXV:ON**

Marc Wayne, President and CEO, Bedrocan Cannabis Corp. **TSXV:BED**



VIEW THE VIDEOS

For more information, please visit tmx.com/c-suite

SPOTLIGHT ON OIL AND GAS

TSXV has a strong history of providing early stage and small-cap companies with a world-class marketplace to access growth capital. Currently, more than 240 oil and gas companies are growing their businesses on TSXV and over half of those companies have operations in countries around the world.

The oil and gas sector accounts for a little over 10% of TSXV's total issuer base, yet the sector's aggregate market value of \$9.6 billion represents almost 30% of the Exchange's total market capitalization. There are also 33 energy services companies listed on TSXV with a combined market capitalization of \$1.7 billion.

During the first half of 2014, oil and gas companies listed on TSXV have raised \$713 million in equity capital, a 55% increase over this time last year. After the mining sector, the oil and gas sector raised the most equity capital on TSXV during the first half of 2014.

So far this year, four new oil and gas companies have listed on TSXV. Oil and gas companies are also using our two-tier exchange system to full effect. Exploration-stage oil and gas companies, for instance, are growing on TSXV and, as they develop and mature, those "junior" companies have the potential to graduate to TSX, the "senior" market. In fact, more than 40% of oil and gas companies on TSX are graduates of TSXV.

THREE OF THE FIVE NEWLY LISTED OIL AND GAS COMPANIES ON TSX DURING THE FIRST HALF OF 2014 ARE GRADUATES OF TSXV:

OIL & GAS

Africa Oil Corp. **TSX:AOI**

a Vancouver-based company with assets in Ethiopia, Kenya and Puntland (Somalia)

OIL & GAS

Mart Resources Inc. **TSX:MMT**

a Calgary-based company focused with projects in the Niger Delta of Nigeria

OIL & GAS

Yangarra Resources Ltd. **TSX:YGR**

a Calgary-based company with operations in Western Canada, primarily Central Alberta

All three companies above have been included in the **TSX Venture 50** in the last two years, which is an annual ranking of top performers on TSXV across several sectors.

NEW OIL AND GAS LISTINGS IN H1 2014

COMPANY	SYMBOL	QMV (JUNE 30 2014)	METHOD OF LISTING	FORMER CPC	PROJECT LOCATION
Rockefeller Hughes Corporation	RHC	\$22.7 million	IPO	-	Texas
Silk Road Energy Inc.	SLK	\$1.8 million	QT	Y	Alberta
Red Pine Petroleum Ltd.	RPN	\$0.648 million	QT	Y	Alberta
Ceno Energy Ltd.	CUX	\$7.5 million	RTO	-	Alberta and Saskatchewan

QMV Quoted Market Value, as at June 30, 2014.

IPO Initial public offering

QT Qualifying Transaction

RTO Reverse Take-Over

H1 2014 TOP TEN OIL AND GAS EQUITY FINANCINGS

COMPANY	TYPE OF FINANCING	GROSS PROCEEDS	PROJECT LOCATION
Spartan Energy Corp.	Public Offering	\$150 million	Alberta and Saskatchewan
Spartan Energy Corp.	Private Placement	\$75 million	Alberta and Saskatchewan
Tamarack Valley Energy Ltd.	Public Offering	\$60 million	Alberta and Saskatchewan
Strategic Oil & Gas	Private Placement	\$50 million	Alberta and British Columbia
Storm Resources Ltd.	Public Offering/Private Placement	\$35 million	Alberta and British Columbia
Spartan Energy Corp.	Private Placement	\$29 million	Alberta and Saskatchewan
Yangarra Resources Ltd.	Public Offering	\$28 million	Alberta
Madalena Energy Inc.	Public Offering	\$23 million	Alberta and Argentina
Marquee Energy Ltd.	Public Offering	\$20 million	Alberta
PanTerra Resource Corp.	Private Placement	\$20 million	Alberta

KEY INSIGHTS ABOUT GROWTH THROUGH ACQUISITION



Mergers and acquisitions (M&A) have undergone something of a renaissance in Canada so far in 2014. While deal making has always been cyclical, and the last few years may have felt like low points along the most recent cycle, the Canadian M&A market has been accelerating in the first half of this year as some companies focus more on inorganic growth to meet the expectations of their shareholders and investors.

With the continued upward swing performance of equity markets in Canada, the Canadian M&A market has seen increased activity with deal volume and value growing in both large and mid-size markets. In their recent quarterly report “**Capital Markets Flash: Canadian M&A Deals Quarterly**,” PwC Canada notes that a strong equity market, cheap financing and healthy cash balances have created a ripe market for the Canadian M&A activity. Among other factors, the S&P/TSX Composite Index has led all other indices globally, which demonstrates an increase in market confidence and is an important catalyst for M&A transactions.

After a relatively quiet first quarter, Canadian M&A activity edged higher in the second quarter of this year. Q2 2014 saw 748 deals with a total value of \$45.8 billion, a 10% increase in value and volume from Q1 2014 and a 20% jump from Q2 2013. Both quarters combined, 1,427 deals have been completed so far this year, which represents a total value of \$87.4 billion.

If these numbers are any indication, more and more Canadian companies are seeking to expand and increase profitability by means other than organic growth. As companies consider the merits of an M&A strategy, however, there are important things to consider when weighing the pros and cons of growth through acquisition. Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV) have recently launched a national program that provides key insights from leading experts on how to build great Canadian companies, including information about M&A strategies.

Earlier this year, TSX and TSXV launched **TSX Ignite**, a free program designed to help Canadian companies grow and develop, with a primary focus on small and medium-sized enterprises. The program provides companies and entrepreneurs – at all stages of growth and from all sectors, both private and public – with tools and resources to help them reach their full potential. TSX and TSXV worked with leading experts and advisors from across Canada to assemble information and best practices. Over 20 Canadian law firms, accounting firms and investment banks collaborated to provide input and content on all aspects of the program.

The online component of TSX Ignite features a **Learning Channel** which consists of four webinars, with the “Acquisitions for Growth” online course of particular value to companies considering growth through M&A. The course features five leading figures from the worlds of law, finance and private equity in Canada:

W. Ian Palm, Partner, *Gowling Lafleur Henderson LLP*

Jim Nikopoulos, Vice President & General Counsel, *Element Financial Corporation*

Jim Logan, Vice President, *CIBC Commercial Banking, CIBC*

Sachin Mahajan, Managing Director, *Merger & Acquisitions, Canaccord Genuity Corp.*

Lisa Melchior, Senior Managing Director, *OMERS Private Equity*

Entrepreneurs are pioneers that like to create their own destiny. Yet seeking business advice from seasoned experts is crucial for any business owner, whether they are just starting up or well established. Through TSX Ignite, we have assembled what we think is useful expert information that may prove beneficial to executives and entrepreneurs seeking to expand their businesses.

To learn more, please visit tsxignite.com or [register here](#) to be notified when new content is added to the Learning Channel.

RESHAPING CANADA'S EQUITIES TRADING LANDSCAPE



TMX Group recently **announced** that it is restructuring its equities trading offering to strengthen Canada's capital markets and meet the evolving needs of customers. Over the coming months, subject to regulatory approval, fundamental changes will be made to the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV), TMX Select and Alpha.

The changes introduced last week are aimed at further improving the Canadian equities trading landscape by introducing a domestic trading model with superior trading economics for retail and institutional orders, offering effective solutions to participants who do not use speed-based trading strategies, and reducing market complexity.

Dramatic changes in technology, market structure evolution and an increasingly global landscape have brought many benefits to capital markets. As trading has become more sophisticated, accessible and efficient, market participants now have access to an incredibly rich set of investment options at historically low costs. However, we have reached a point where decisive action is required to preserve the efficiency and integrity of Canada's capital markets.

Following extensive consultation with a broad group of market participants, we have narrowed our focus to three significant issues in equities trading that require our attention and action:

- **Canadian order flow is migrating to the U.S.**
- **Technology-driven markets are not optimized to serve all**
- **Market complexity is on the rise**

We have examined each of these issues at great length and we are proposing bold steps to tackle each one. An overview of proposed changes is in our position paper: [Reshaping Canada's Equities Trading Landscape](#).

In our view, each proposed change will have a beneficial and singularly significant impact on the market. However, to successfully reshape Canada's equities trading landscape for the benefit of all, the debate, collaboration and support must be open and expansive. We encourage and welcome your input on the issues and in helping to bring forward real, actionable solutions that serve all market participants.

These actions build on important steps that have already been taken to strengthen TSX Venture Exchange. Policy changes were **announced** in August 2013 aimed at facilitating financings for TSXV-listed companies, as well as other steps taken earlier this year including **amendments** to minimum pricing requirements for private placements, **modifying** the maker-taker pricing model on TSXV, and **advocating** for prospectus exemptions for participants on TSXV.

ANATOMY OF A NEW TSX VENTURE EXCHANGE LISTING: TWEED MARIJUANA INC.



Tweed Marijuana Inc. (**TSXV:TWD**) listed on TSXV on April 4, 2014 through a Qualifying Transaction (QT) with LW Capital Pool Inc., a Capital Pool Company® (CPC™). The company was Canada's first and only listed medical marijuana producer on TSXV at the time. Since then, two more medical marijuana companies have listed on TSXV: Bedrocan Cannabis Corp. (**TSXV:BED**) and OrganiGram Holdings Inc. (**TSXV:OGI**). To gain a better understanding of the process by which Tweed Marijuana Inc. became a TSXV listed company and, more importantly, to learn about the company, we interviewed Bruce Linton, Chief Executive Officer at Tweed Marijuana Inc. (referred to as "Tweed").

Q CONGRATULATIONS ON LISTING ON THE TSX VENTURE EXCHANGE! WE'LL GET INTO THE PROCESS OF GOING PUBLIC LATER ON, BUT BEFORE WE DO, TELL US ABOUT TWEED AND ITS CLIENTS?

A Tweed is a Canadian company established to supply an unmatched selection of premium marijuana for medical purposes. We are one of a very small number of companies licensed by Health Canada to grow and sell medical marijuana in Canada.

Our patients look to us for the highest quality medicine and we strive to serve them with the utmost empathy, compassion, professionalism and integrity.

Q CAN YOU DESCRIBE THE PROCESS THAT TWEED HAS GONE THROUGH TO GET TO THIS STAGE? WHAT ARE THE NEXT STEPS, IN TERMS OF DEVELOPING THE COMPANY FURTHER AND ENHANCING YOUR VISIBILITY TO ATTRACT MORE USERS OR EVEN SHAREHOLDERS?

A As you would expect, the process of becoming a Licensed Producer of medical marijuana in Canada is exceptionally rigorous. Tweed had to demonstrate that it could maintain a highly secure facility, that it meets strict standards for product safety and cleanliness, and had the support of our local community.

Then we did it all over again when we acquired Tweed Farms Inc., a 350,000 square foot greenhouse facility that we also licensed to produce medical marijuana.

For Tweed, I truly believe the sky is the limit. It is a new company, in a new sector, with perceptions of cannabis changing daily. The opportunities are endless and our goal is to continue to tell our story, serve patients and generate value for our shareholders.

Q I THINK IT'S FAIR TO SAY TWEED IS IN AN ENVIABLE POSITION AS THE FIRST FEDERALLY APPROVED MEDICAL MARIJUANA COMPANY TO GO PUBLIC IN NORTH AMERICA. WHAT ARE YOUR THOUGHTS ON THIS?

A Everything Tweed does is about 'firsts'. We were the first to list publicly in Canada; the first to become a diversified, multi-license and multi-location producer; first bought deal placement; and really the first to attract widespread international media coverage ranging from the New York Sunday Times to the Huffington Post.

The public listing on TSXV also reflects our intention to be as open and transparent as possible so that we can build those important relationships of trust with our stakeholders including patients, doctors and investors.

Q WHERE DO YOU SEE THE COMPANY IN FIVE YEARS? WHAT ABOUT IN 10 YEARS?

A In the coming years we will see a handful of players emerge as leaders, and acquiring smaller players who haven't found their niche in the market. Tweed was the first to begin this process when it acquired its greenhouse facility in Niagara-on-the-Lake.

Depending on how the sector unfolds, we could also see pharmaceutical companies entering the space through acquisition, or under another path, we could see a spirits company seek to acquire a strong brand.

The first year of this sector has moved so quickly that truly anything could occur within 10 years, which is what makes this venture so exciting for our management and our shareholders.

Q YOU ARE INVOLVED IN A VERY INTERESTING MARKET, WHICH HAS BEEN GENERATING A LOT OF ATTENTION. HOW DO YOU SEE THE DEMAND FOR YOUR PRODUCT GROWING? HOW DO YOU PLAN TO MEET THAT GROWING DEMAND?

A What attracted me to this sector was actually not the novelty of growing cannabis – though apparently some people find it really cool – but rather the unique opportunity of a supply chain being completely turned on its head. The government took a sector with constrained demand and made it easier to get access. The access changes are a key element as previously the process could have taken years to get medical approval, whereas effective April 1, 2014, it can now take as little as minutes. This access change was concurrent with eliminating the prior supply chain.

The government has estimated a market of 450,000 patients within 10 years, and several analysts suggest that is likely a conservative projection. Between its two sites, Tweed has potential growing capacity of over 520,000 square feet. We can't meet all of that demand, but we'll sure try.

Q AS ONE OF THE KEY ADVOCATES FOR MEDICAL MARIJUANA, I IMAGINE TWEED HAD NUMEROUS DIFFERENT OPTIONS WHEN IT CAME TO RAISING CAPITAL. WHAT MADE TSXV THE RIGHT PUBLIC MARKETPLACE FOR YOUR COMPANY?

A Tweed is a new business and a new sector and not everyone is comfortable with new things. From day one we have sought to enhance Tweed and the sector's credibility by selecting the most credible path. You will see this in the auditors, bankers and investment bankers we have used. Discount or "easy" listing sources do not align with this philosophy and as such the TSXV was the consistent and only option.

Q HOW WOULD YOU DESCRIBE THE LISTINGS PROCESS?

A Painful? No, I always enjoy pushing new boundaries. Convincing your colleagues at TSXV to take this step was a lot of work, but it has paid off and made it easier for the entire sector.

When it was just Tweed we were one company. Some people ask me if I am concerned that now several companies have followed with a listing, and they are surprised with my answer: the more companies we see listed, the more credibility we build as a sector. That is good for Tweed, our patients and our shareholders.

Q WHAT DO YOU PERCEIVE THE BENEFITS OF BEING LISTED ON TSXV HAVE BEEN THUS FAR? WHAT ABOUT LONG TERM BENEFITS?

A Tweed will always be the first to have listed on a public market as a licensed producer in Canada and that is a nice milestone. We have been able to complete our first M&A transaction with a significant part of the purchase price paid with our TSXV-traded stock.

With the number of start-up companies in our industry, competition for capital is fierce. The Exchange enhances our ability to raise capital as well as to reach a broad range of institutional and retail investors who would otherwise be unable to invest.

We operate in a sector that can't advertise. The transparency, credibility and interest we generate through our public listing and the conversation it enables with our stakeholders is invaluable.

Q WOULD YOU RECOMMEND LISTING ON TSXV TO OTHER COMPANIES IN YOUR INDUSTRY?

A Yes, as it demands discipline, clear and accurate statements and thereby elevates what may become a major sector in the Canadian economy. I am sure Tweed already did the hard part by going first.

Q IN ADDITION TO YOUR CURRENT POSITION AT TWEED AS THE COMPANY'S CEO, YOU ARE ALSO CEO OF MARTELLO TECHNOLOGIES, A COMMUNICATIONS COMPANY. THE DEMANDS OF SUCH ROLES MUST BE EXTREMELY DEMANDING. HOW DO YOU MANAGE BOTH ROLES?

A Tweed is conducting a search so that we may become the first Licensed Producer with a recruited CEO that can envision and implement a growth platform that keeps advancing Tweed's advantages. We need to plan and prepare to be a company with annual revenues of few hundred million dollars. As co-founder and Chairman of Tweed, I stepped in to act as interim-CEO in August 2014. I have really been able to focus on the technology platform for scale at Tweed. Martello is a technology company that is all about scale, cloud based infrastructure and, as such, one could say Tweed and Martello are both high technology companies.

Q IF READERS WANTED TO KNOW MORE ABOUT TWEED WHERE SHOULD THEY GO?

A Tweed.com is a great place to start. For those less keen on reading, we have a whole series of videos on our website as well.

Come and get to know us and then give us a call **1-855-55-TWEED**.



FOR MORE INFORMATION ON TSXV

**EMAIL**

tsxv.info@tsx.com

PHONE

1 888 873-8392



Unless otherwise noted, all data is YTD June 30, 2014. Source: TSX Market Intelligence Group (www.tsx.com/mig)

tsx.com

This information is provided for information purposes only. Neither TMX Group Limited nor any of its affiliated companies guarantees the completeness of the information contained in this document and we are not responsible for any errors or omissions in or your use of, or reliance on, the information. This document is not intended to provide legal, accounting, tax, investment, financial or other advice and should not be relied upon for such advice. The information provided is not an invitation to purchase securities listed on Toronto Stock Exchange or TSX Venture Exchange. TMX Group and its affiliated companies do not endorse or recommend any securities referenced in this newsletter.

© 2014 TSX Venture Exchange Inc. All rights reserved. Do not sell or modify this document without TSX Venture Exchange Inc.'s prior written consent.