

POLICY 4.6

PUBLIC OFFERING BY SHORTFORM OFFERING DOCUMENT

Scope of Policy

This Policy outlines the requirements for Issuers proposing to distribute securities pursuant to a Short Form Offering Document (or “Short Form”). A Short Form is an Exchange document that allows certain Issuers to undertake a public offering of securities in British Columbia and Alberta without preparing a Prospectus, but still allows public investors to receive free trading securities pursuant to British Columbia and Alberta Securities Laws. The Securities Laws of other jurisdictions may not permit the Issuer to use the Short Form, or may impose Resale Restrictions on shares issued pursuant to the Short Form.

The main headings in this Policy are:

1. Definitions
2. Use of the Short Form
3. Use of Proceeds
4. Process
5. Short Form Filing Requirements
6. Pricing and Offering Period
7. Delivery Requirements and Subsequent Material Changes
8. Contractual Rights of Action and Rights of Withdrawal
9. Agent or Underwriter Requirements
10. Agent or Underwriter Compensation
11. Final Filing Requirements
12. Audit

1. Definitions

1.1 In this Policy:

“AIF” means an annual information form prepared and filed in accordance with:

- (a) in regard to a distribution in British Columbia, BCSC Local Policy Statement 3-27 and BC Instrument 45-506– System for Shorter Hold Periods for Issuers Filing an AIF;
- (b) in regard to a distribution in Alberta, ASC Rule 45-501 – System for Shorter Hold Periods for Issuers Filing an AIF; and

- (c) if implemented in the jurisdiction, proposed Multilateral Instrument 45-102 – *Resale of Securities*, or any successor instrument.

“Alberta Blanket Order” means Blanket Order 45-503(AB) – *Offering By CDNX Short Form Offering Document*.

“BC Instrument” means British Columbia Instrument 45-509 - *Short Form Offerings of Listed Securities and Units Qualifying Issuers*.

“Designated Hold Purchaser” means a purchaser that is an Insider or Promoter of the Issuer, the Issuer’s Agent or Underwriter or a member of the Professional Group of that Agent or Underwriter;

“Designated Threshold Purchaser” means a purchaser who is not a member of the Professional Group, and:

- (a) would be entitled to purchase securities of the Issuer under subsections 107(1)(a) or 107(1)(c) of the Securities Act (Alberta) or is a “sophisticated purchaser” as defined in section 1(j) of the Rules made pursuant to section 196.1 of the Securities Act (Alberta), or
- (b) would be entitled to purchase securities of the Issuer under section 74(2)(1) or 74(2)(3) of the Securities Act (British Columbia) or is a “sophisticated purchaser” as defined in section 1(1) of the British Columbia Securities Rules;

“Gross Proceeds” means the gross proceeds that are required to be paid to the Issuer for Listed Shares distributed under a Short Form Offering Document.

“Insider” has the meaning under applicable Securities Laws.

“Professional Group” means the professional group as defined in Proposed National Instrument 33-105 *Underwriting Conflicts* in its most recently published form or in the form as adopted by the Commissions from time to time.

“Promoter” has the meaning under applicable Securities Laws.

“Subsequently Triggered Report” means a material change report required to be filed no later than 10 days after a Material Change under applicable Securities Laws, as a result of a Material Change that occurs after the date the Short Form is certified but before the purchaser enters into an agreement of purchase and sale.

“Threshold Amount” means the greater of \$10,000 and 2% of the value of the Gross Proceeds.

2. Use of the Short Form

2.1 General

- (a) The Short Form is a brief disclosure document which incorporates by reference the documents referred to in the Alberta Blanket Order and BC Instrument including the Issuer's current AIF, the most recent audited annual financial statements and all quarterly interim financial statements, news releases disclosing Material Changes, Material Change reports, technical reports and consents required under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, that were filed on or after the current AIF, but before the date of the Short Form.

This existing current disclosure is not restated in the Short Form, but is incorporated by reference and must be available to investors on a publicly accessible database such as the SEDAR web site, the Issuer's web site or the Exchange web site. The form to be used is *Form 4M - Short Form Offering Document*.

- (b) Issuers that have filed a current AIF are eligible to use the Short Form under the conditions outlined below and in compliance with British Columbia and Alberta Securities Laws. The Short Form system may only be used for offerings in the Provinces of British Columbia and /or Alberta to British Columbia and/or Alberta residents unless permitted by Securities Laws and/or the Securities Commission or regulatory authority of each other applicable province or jurisdiction. Issuers that have connecting factors in other jurisdictions may be restricted in their use of the Short Form, and should consult the applicable Securities Laws to determine if such restrictions exist. Issuers cannot use the Short Form to qualify previously issued securities for sale. Issuers should refer to the BC Instrument and Alberta Blanket Order and seek legal advice in regard to the use of the Short Form.

2.2 Conditions to Use of Short Form

The offering must comply with the following:

- (a) the Issuer must comply with the Alberta Blanket Order and the BC Instrument, and incorporate by reference all documents referred to in those instruments.
- (b) the distribution must be of a class of Listed Shares, and may include Warrants exercisable into Listed Shares but may not be a distribution exclusively of Warrants;
- (c) the number of Listed Shares that may be issued on exercise of the Warrants must not exceed the total number of shares that are issued pursuant to the distribution under the Short Form;

- (d) the Gross Proceeds under the Short Form, when added to the Gross Proceeds from offerings under a Short Form completed during the twelve month period immediately preceding the date of the Short Form, do not exceed \$2,000,000;
- (e) the Listed Shares issued under the Short Form, when added to the Listed Shares of the same class issued as a result of other offerings under a Short Form completed during the 12 month period immediately preceding the date of the Short Form, do not exceed the number of Listed Shares of the same class outstanding at the later of the following dates:
 - (i) the date the Issuer first distributed securities of the same class under a Short Form; and
 - (ii) the date that is 12 months before the date of the Short Form;
- (f) the aggregate acquisition cost to a purchaser, other than a Designated Hold Purchaser or Designated Threshold Purchaser, is no more than the Threshold Amount;
- (g) no purchaser acquires more than 20% of the securities distributed under the offering;
- (h) all securities purchased by a Designated Hold Purchaser will be subject to a four month hold period;
- (i) a Designated Threshold Purchaser who acquires more than the Threshold Amount will be subject to a four month hold period on the portion of those securities acquired which are in excess of the Threshold Amount; and
- (j) no more than 50% of the securities distributed pursuant to the offering are subject to the four month hold period imposed pursuant to sections 2.2(h) and (i) of this Policy or pursuant to section 6.1 of the Alberta Blanket Order or section 5 of the BC Instrument.

3. Use of Proceeds

3.1 The proceeds of the offering cannot be used for transactions which have not:

- (a) received Exchange Acceptance; and
- (b) been publicly disclosed via a comprehensive news release or disclosure document required by the Exchange.

- 3.2 If the proceeds will be used for work on a specific property, then the most recent Geological Report or valuation filed with the Exchange or the applicable Securities Commissions relating to that property must be available to the public, either through the SEDAR web site, the Exchange's web site or the Issuer's web site. If no Geological Report has been filed with the Exchange or the applicable Securities Commissions for the property, the Exchange can require one to be filed before it will accept the Short Form.
- 3.3 If the proceeds of the offering are to be used for purposes other than Working Capital, then the minimum offering must be adequate for the stated purpose.

5. Process

The filing and acceptance process for a Short Form Offering Document involves the following steps:

- Step 1:** The Company and/or its filing solicitor prepare the Short Form, ensuring all continuous disclosure material is up to date, and incorporated by reference.
- Step 2:** The Company's agent reviews the document and material incorporated by reference, and does sufficient due diligence to sign the certificate page of the Short Form.
- Step 3:** The Company issues a news release announcing the financing by Short Form and disclosing the amount of funds to be raised, the price per share, the use of proceeds and the name of the agent.
- Step 4:** The Company submits the Short Form to the Exchange for review within two days from the date of the news release.
- Step 5:** The Exchange reviews the Short Form and if there are no significant deficiencies, accepts it within five business days and publishes an Exchange Bulletin indicating the acceptance of the financing.
- Step 6:** The agent has 60 days from Exchange acceptance to market and sell the offering.
- Step 7:** Following the closing of the offering, the agent must file a list of purchasers with the Exchange, indicating how many securities each purchaser has purchased, and which purchasers have taken securities subject to a hold period.

5. Short Form Filing Requirements

Within two days after the news release, the Issuer must file the following with the Exchange:

- (a) a copy of the Short Form, signed by the Issuer's officers, directors, Promoters and by the Member acting as Agent or Underwriter;
- (b) a copy of the agency or underwriting agreement; and

- (c) the minimum applicable fee as prescribed in *Policy 1.3 - Schedule of Fees*.

6. Pricing and Offering Period

- 6.1 The price for the securities offered cannot be less than the greater of:
 - (a) the closing price of the Listed Shares on the trading day before the news release disclosing the Short Form offering is disseminated, less a discount of 10%; and
 - (b) \$0.10 per share or unit.
- 6.2 The exercise price of Warrants issued pursuant to a Short Form must not be less than the closing price of the Listed Shares on the trading day before the news release disclosing the Short Form is disseminated.
- 6.3 The Issuer must file the Short Form with the Exchange by the second business day after the date of the news release to ensure the offering price will be accepted. However, if the Issuer announces a Material Change during the offering period and the Exchange considers that the Issuer was likely aware of that pending Material Change when the offering price was set, the Exchange can require the offering to be re-priced to reflect the Material Change.
- 6.4 The Issuer and its Agent can market and sell the securities offered under the Short Form for 60 days after the date that the Exchange accepts the Short Form.

7. Delivery Requirements and Subsequent Material Changes

- 7.1 The Short Form, and any Subsequently Triggered Report filed by the Issuer after the date of the Short Form, must be delivered to a purchaser by the Issuer or the Agent or Underwriter:
 - (a) before the Issuer or its Agent or Underwriter enters into the written confirmation of the purchase and sale resulting from an order or subscription for securities being distributed under the offering; or
 - (b) not later than midnight on the second business day after the agreement of purchase and sale is entered into.
- 7.2 If a Material Change occurs after the Exchange has accepted the Short Form and before the completion of the offering, the Issuer and the Agent or Underwriter must cease distribution until a news release is disseminated and filed with the Exchange.
- 7.3 Any Subsequently Triggered Report to be delivered to a purchaser under section 7.1 is deemed to be incorporated by reference into the Short Form.

8. Contractual Rights of Action and Rights of Withdrawal

The Issuer must grant a contractual right of action and rights of withdrawal to the purchasers. The exact wording is in the form of Short Form set out in *Form 4M - Short Form Offering Document*.

9. Agent or Underwriter Requirements

- 9.1 The Agent or Underwriter who signs the Short Form certificate must be a Member that meets the criteria to act as a Sponsor pursuant to *Policy 2.2 – Sponsorship and Sponsorship Requirements*.
- 9.2 An Agent or Underwriter signing the Short Form certificate must comply with the due diligence requirements in *Appendix 4A - Due Diligence Report*, in relation to the Short Form.
- 9.3 An Underwriter selling the offering in British Columbia is reminded that it must be registered as an underwriter under British Columbia Securities Laws.

10. Agent or Underwriter Compensation

10.1 Commission

A Member is free to negotiate its selling commission with the Issuer.

10.2 Compensation Option

A Member may be granted a non-transferable option (“Compensation Option”) entitling it to subscribe for up to 25% of the total number of securities offered for sale under the Short Form. The exercise price of the Compensation Option will be at least:

- (a) the offering price per share if the option is exercisable for shares only; or
- (b) the offering price per unit if the option is exercisable for units. Any Warrants underlying the units will be exercisable at the same price as the Warrants underlying the units offered to the public. Where units are issued, the Warrants issued pursuant to the unit will be deemed to have the value of one half of a share for the purposes of calculating the 25% option.

The Agent’s Option must expire if not exercised within two years from the date of issue. Agent’s Options are not included in the calculation of the yearly limits in section 2.2.

10.3 Selling Group Compensation

A Member may offer part of the commissions or Compensation Option from an offering to other licensed broker dealers and investment dealers who participate in a selling group. However, the allocation of the Compensation Option must be reported to the Exchange on closing of the offering.

11. Final Filing Requirements

- 11.1 Issuers are reminded that the Short Form must be filed via SEDAR with the applicable Securities Commission in accordance with applicable Securities Laws.
- 11.2 After the offering has been closed, the Agent or Underwriter must file a list of purchasers with the Exchange, indicating how many securities each purchaser has purchased and which purchasers have taken securities subject to a hold period.
- 11.3 The Issuer must file with the applicable Securities Commissions a report on the distribution (BCSC Form 45-902F and ASC Form 20) with applicable fees.

12. Audit

Although the Exchange does not conduct a full review of the Short Form and material incorporated by reference to ensure that the documents provide adequate disclosure and comply with applicable policies, the Exchange will audit certain Short Forms after the distributions are completed. If the audit reveals significant problems with an Issuer's filing, the Exchange can prohibit that Issuer from using a Short Form for future offerings.
