



## FORM 3A

# INFORMATION REQUIRED IN A CPC PROSPECTUS

### INSTRUCTIONS

- (1) *The objective of the prospectus is to provide information concerning the Capital Pool Company ("CPC") that an investor needs in order to make an informed investment. This Form sets out specific disclosure requirements that are in addition to the general requirements under securities legislation to provide full, true and plain disclosure of all material facts relating to the securities to be distributed. This Form must be read in conjunction with the policies of the Canadian Venture Exchange Inc. ("CDNX"), including Policy 2.4 – Capital Pool Companies (the "CPC Policy"), and applicable securities legislation including, for example, filing procedures and financial statement requirements. Certain rules of specific application may impose prospectus disclosure obligations in addition to those described in this Form.*
- (2) *Issuers are reminded that CDNX requires all issuers filing a CPC Prospectus to comply with OSC Rule 41-501 – General Prospectus Requirements or the equivalent local rule or instrument allowing for prospectuses prepared in compliance with OSC Rule 41-501. Issuers are reminded that this Form is not a form prescribed under securities legislation – it is intended to provide guidance to a CPC in respect of compliance with OSC Form 41-501F1 under OSC Rule 41-501.*
- (3) *Terms used and not defined in this Form that are defined or interpreted in either (i) the CPC Policy, or (ii) National Instrument 14-101 Definitions, shall bear that definition or interpretation. References in this form to the "CPC" or the "Corporation" can be revised to reflect the name of the CPC*
- (4) *In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgement in each 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 CPC'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.*
- (5) *Unless an item specifically requires disclosure only in the preliminary prospectus, the disclosure requirements set out in this Form apply to both the preliminary prospectus and the prospectus.*
- (6) *No reference need be made to inapplicable items and, unless otherwise required in this Form, negative answers to items may be omitted.*
- (7) *The disclosure must be understandable to readers and presented in an easy to read format. The presentation of information should comply with plain language principles. If technical terms are required, clear and concise explanations should be included.*
- (8) *Provide any appropriate cross-reference(s) to various sections in the prospectus, where further detail may be found.*
- (9) *If disclosure is required as of a specific date and there has been a material change or change that is otherwise significant in the required information subsequent to that date, present the information as of the date of the change or a date subsequent to the change instead.*

(10) *If the term "class" is used in any item to describe securities, the term includes a series of a class.*

## PROSPECTUS FORM

### Item 1: Cover Page Disclosure

**1.1 Required Language** - State in *italics* at the top of the cover page the following:

*"This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and, in such jurisdictions, only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise."*

**1.2 Preliminary Prospectus Disclosure** - Every preliminary prospectus shall have printed in red ink and in *italics* at the top of the cover page immediately above the disclosure required under Item 1.1 the following, with the bracketed information completed:

*"A copy of this preliminary prospectus has been filed with [the securities regulatory authority(ies)] in each of the provinces of [state applicable provinces] and with the Canadian Venture Exchange Inc. ("CDNX") but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the [securities regulatory authority (ies)]."*

#### INSTRUCTION:

(1) *The CPC is required to complete the bracketed information by inserting the names of each jurisdiction in which the CPC intends to offer securities under the prospectus.*

**1.3 Basic Disclosure about the Distribution** - State the following immediately below the disclosure required under Items 1.1 and 1.2 with the bracketed information completed:

[PRELIMINARY] PROSPECTUS

INITIAL PUBLIC OFFERING

[Date]

[Name of CPC]

(a capital pool company)

\$ [aggregate dollar amount]

[aggregate number of] common shares

Price: \$ [amount per common share]

The purpose of this offering (the "Offering") is to provide the Corporation with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction, as hereafter defined. Any proposed Qualifying Transaction must be approved by the CDNX and receive Majority of the Minority Approval, as hereafter defined, in accordance with CDNX Policy 2.4 ("CPC Policy"). The Corporation is a Capital Pool Company ("CPC"). It has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until the Completion of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a proposed Qualifying Transaction.

INSTRUCTIONS:

- (1) *Unless an exemption is granted pursuant to the CPC Policy and disclosure is provided in accordance with National Policy Statement No. 14 Acceptability of Currencies in Material Filed with Securities Regulatory Authorities or any successor instrument, the offering price must be in Canadian currency and all financial figures reflected in the prospectus must be presented in Canadian currency.*
- (2) *The CPC is only permitted to offer common shares, as defined in the CPC Policy.*
- (3) *If there is a minimum and maximum number of common shares being offered, revise the disclosure to provide for the number of common shares and the dollar amounts offered for both the minimum and maximum subscriptions.*
- (4) *If the prospectus is also intended to qualify the grant of incentive stock options or all or part of an agent's option, revise the disclosure to provide for the number of common shares subject to the options, the exercise price of the options and appropriate cross-reference(s) in the prospectus to further information about the options.*

**1.4 Distribution**

- (1) Provide the information called for below, in substantially the following tabular form or in a note to the table:

Price to public (a)	Agent's commission (b)	Proceeds to the Corporation (c)
Per Common Share		
Total Offering		

- (2) Disclose:
  - (a) the name of each agent ;
  - (b) if applicable, the cover page disclosure in order to comply with the requirements of National Instrument 33-105 *Underwriting Conflicts*;
  - (c) that the offering is made on a best efforts basis and provide the total for both the minimum and maximum subscriptions, if applicable;
  - (d) the latest date that the distribution is to remain open as may be permitted by securities legislation; and

- (e) how the offering price was determined.

Disclosure in substantially the following form is recommended:

“This offering is made on a best efforts basis by [name of agent(s)] (the “Agent”) and is subject to a minimum subscription of [number] Common Shares for total gross proceeds to the Corporation of \$[amount]. The offering price of the Common Shares was determined [arbitrarily by the directors of the Corporation/by negotiation between the Corporation and the Agent]. All funds received from subscriptions for Common Shares will be held by [a trust company, registrant or chartered bank] pursuant to the terms of the [Agency Agreement]. If the [minimum] subscription is not raised within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by persons or companies who subscribed within that period, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the [trust company, registrant or chartered bank].”

- (3) In column (b) of the table, disclose only commissions paid or payable in cash by the CPC, including any corporate finance fees. Set out in a note to the table any consideration other than cash paid or payable by the CPC, including agent’s options. If the agent has been granted an agent’s option, state:
- (a) whether the prospectus qualifies the grant of all or part of the agent’s option or any other option,
- (b) the time frame within which the option must be exercised (to a maximum of 18 months) and any restriction on the trading in the shares which may be acquired on exercise of the option, and
- (c) provide a cross-reference to the applicable section in the prospectus where further information about the agent’s option or any other option is provided.
- (4) Include as a note to the table whether the proceeds to the CPC disclosed in column (c) are before or after deducting the costs of the issue, and what the CPC estimates to be the costs of the issue.

**INSTRUCTIONS:**

- (1) *An agent who is a member firm of CDNX must be involved in the distribution.*
- (2) *The cross-reference to the applicable section(s) in the prospectus relating to agent compensation must be made to a specific heading or sub-heading which sets forth all the compensation both in the form of cash and non-cash payable to the agent.*
- (3) *An application for listing on CDNX must be made concurrently with filing of the preliminary prospectus.*

**1.5 Market For Securities**

- (1) If application has been made to list the common shares, include a statement, in substantially the following form:

“The Corporation has applied to list its Common Shares on CDNX. Listing will be subject to the Corporation fulfilling all the listing requirements of CDNX.”

- (2) If application has been made to list the common shares on CDNX and conditional listing acceptance has been received, include a statement, in substantially the following form, with the bracketed information completed:

"CDNX has conditionally accepted the listing of the Corporation's Common Shares. Listing is subject to the Corporation fulfilling all of the requirements of CDNX. "

- (3) Disclose restrictions on trading in the CPC's securities. Include a statement in substantially the following form, with bracketed information completed:

"Other than the initial distribution of the Common Shares pursuant to this prospectus, [the grant of the Agent's Option], [the grant of options to the directors, officers and technical consultants of the Corporation] and [the grant of options to Eligible Charitable Organizations, as hereafter defined], trading in all securities of the Corporation is prohibited during the period between the date a receipt for this preliminary prospectus is issued by the [securities regulatory authority (ies)] and the time the Common Shares are listed for trading except, subject to prior acceptance of CDNX, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable [securities regulatory authority(ies)] grant a discretionary order."

- 1.6 Risk Factors** - Include a brief statement as to the risk factors including a cross-reference to sections in the prospectus where information about the risks of an investment in the securities being distributed is provided. In addition to the other risk factors which may be included in the summary, state the following in bold type:

**"Investment in the Common Shares offered by this Prospectus is highly speculative due to the nature of the Corporation's business and its present stage of development. This offering is suitable only to those investors who are prepared to risk the loss of their entire investment."**

INSTRUCTION:

- (1) *Provide a bold face cross reference to the risk factors section in the prospectus.*

- 1.7 Maximum Investment** - Disclose the maximum number of Common Shares which may be acquired directly or indirectly by any one purchaser under the prospectus, and the maximum number of Common Shares which may be directly or indirectly purchased by any purchaser, together with that purchaser's Associates and Affiliates. Include a statement in substantially the following form with bracketed information completed:

"Pursuant to the CPC Policy, no purchaser of the Common Shares is permitted to directly or indirectly purchase more than 2% or [state number] of the total Common Shares offered under this prospectus. In addition, the maximum number of Common Shares that may directly or indirectly be purchased by that purchaser, together with any Associates or Affiliates of that purchaser, is 4% or [state number] of the total number of Common Shares offered under this prospectus."

INSTRUCTION:

- (1) *If there is a minimum and maximum number of common shares being offered, disclose the number of shares referred to in brackets based both on the minimum and maximum subscriptions.*

- 1.8 Receipt of Subscriptions** - Disclose that subscriptions will be subject to rejection and allotment as well as the timing of issuance of share certificates. If applicable, include a statement in substantially the following form, with bracketed information completed:

"Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates evidencing the Common Shares in definitive form will be available for delivery [on the closing date/within [state number] days of the closing date].

- 1.9 International Promoters** If a promoter of the CPC is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, comply with National Instrument 41-101 *Prospectus Disclosure Requirements* by stating the following on the cover page or under a separate heading elsewhere in the prospectus, with the bracketed information completed:

"The [promoter] is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Although [the promoter] has appointed [name(s) and address(es) for service] as its agent(s) for service of process in [name of province] it may not be possible for investors to collect from the [promoter] judgments obtained in courts in [names of provinces] predicated on the civil liability provisions of securities legislation."

## **Item 2: Table of Contents**

- 2.1 Table of Contents** - Include a table of contents.

## **Item 3: Glossary**

- 3.1 Glossary** - Include a glossary of terms.

INSTRUCTION:

*Where the glossary includes the terms set out in Appendix 1 to this Form, provide the definition for that term, as set forth in Appendix 1.*

## **Item 4: Summary of Prospectus**

- 4.1 Cautionary Language** - At the beginning of the summary, include a statement in *italics* in substantially the following form:

*"The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus."*

- 4.2 General** - Briefly summarize, near the beginning of the prospectus, information appearing elsewhere in the prospectus that, in the opinion of the CPC, would be most likely to influence the investor's decision to purchase the securities being distributed. At minimum, include a description of the following items:

- (a) Describe the principal business of the CPC by making a statement in substantially the following form, with bracketed information completed:

"The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than a minimum amount of cash."

- (b) Describe the securities to be distributed, including the offering price and expected net proceeds, (including the grant of any options or other rights to acquire securities.) by making a statement in substantially the following form, with bracketed information completed:

"A total of [state number] Common Shares are being offered under this prospectus at a price of \$[state price] per Common Share. [In addition, the Corporation will grant an option to the Agent to purchase up to [state number] Common Shares at a price of \$[state price] per share which will be exercisable for a period of [18] months from the date of listing of the Common Shares on CDNX ][, which option is qualified under this prospectus]. [The Corporation also intends to grant options to purchase [state number] Common Shares to directors, officers, and technical consultants, as well as options to purchase [state number] Common Shares to Eligible Charitable Organizations] [All/state number] of [which options are qualified for distribution under this prospectus]."

- (c) Describe the expected use of proceeds by making a statement in substantially the following form:

"The net proceeds to the Corporation will be \$[insert amount]. The net proceeds of this Offering will be used to provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses, for acquisition with a view to completing a Qualifying Transaction. The Corporation may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. Until Completion of the Qualifying Transaction and except as otherwise provided in the CPC Policy, a maximum of 30% of the gross proceeds realized may be used for purposes other than evaluating business or assets."

- (d) List the name of each director and officer of the CPC and indicate their respective positions and offices held with the CPC.

- (e) Provide details of the escrowed securities of the CPC as well as the terms on which the securities will be released from escrow by making a statement in substantially the following form, with bracketed information completed:

"[All] of the currently issued and outstanding Common Shares of the Corporation, being [state number] Common Shares [have been/will be] deposited in escrow pursuant to the terms of an Escrow Agreement, as hereafter defined, and will be released from escrow in stages over a period of up to three years after the date of the Final Exchange Bulletin."

- (f) Describe the risk factors. The following are suggested as risk factors but should not be considered an all-inclusive list:

"Investment in the Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and has no active business or assets other than cash. It does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the Completion of the Qualifying Transaction. The Offering is only suitable to investors who are prepared to rely entirely on the directors and management of the Corporation and can afford to risk the loss of their entire investment. [The directors and officers of the Corporation will only devote part of their time and attention to the affairs of the Corporation] and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Assuming completion of the Offering, an investor will suffer an immediate dilution on investment of [state number]% or \$[insert amount] per Common Share. There can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell the Common Shares. Until Completion of the Qualifying Transaction, the

Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transactions. The Corporation has only limited funds with which to identify and evaluate possible Qualifying Transactions and there can be no assurance that the CPC will be able to identify or complete a suitable Qualifying Transaction.

The Qualifying Transaction may involve the acquisition of a business or assets located outside of Canada. It may therefore be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and it may not be possible to enforce against such persons or companies judgements obtained in Canadian courts predicated upon the civil liability provisions applicable to securities laws in Canada. ”

**INSTRUCTIONS:**

- (1) *Provide appropriate cross references to additional information respecting these items in the prospectus.*
- (2) *The CPC should consider each of the foregoing risk factors and any additional risk factors that may be appropriate and ensure that disclosure is appropriately tailored to its circumstances.*
- (3) *Revise the foregoing as appropriate if the CPC has had specific discussions respecting the identification of a potential Qualifying Transaction and include an appropriate cross-reference to the section in the prospectus where the discussion as to the potential Qualifying Transaction is discussed in detail.*

**Item 5: Corporate Structure**

**5.1 Name and Incorporation**

- (1) State the full corporate name of the CPC and the address(es) of the CPC’s head and registered office.
- (2) State the statute under which the CPC is incorporated or continued. If material, state whether the articles or other constating or establishing documents of the CPC have been amended and describe the substance of the material amendments.

**Item 6: Business of the CPC**

**6.1 Preliminary Expenses – Disclose:**

- (a) the preliminary expenses that the CPC has incurred to date in proceeding with the offering and state that certain of the offering proceeds may be utilized to satisfy the obligations of the CPC related to this offering, including the expenses of its auditors , legal counsel and the agent’s legal counsel; and
- (b) in summary form, the CPC’s expenditures since the date of the most recent balance sheet included in the prospectus.

**INSTRUCTIONS:**

- (1) *Include a cross-reference to Use of Proceeds.*



## 6.2 Proposed Operations until Completion of a Qualifying Transaction

- (1) Discuss the proposed operations of the CPC to be conducted until Completion of a Qualifying Transaction, having regard to the restrictions set forth in the CPC Policy and in this regard state:
  - (a) the nature of the business and operations proposed to be carried on by the CPC;
  - (b) if applicable, the nature of discussions in respect of a particular industry or potential acquisition; and
  - (c) the geographical restrictions, as set forth in the CPC Policy, that may be applicable to the CPC in connection with identifying its Qualifying Transaction.

Disclosure in substantially the following form is recommended:

"The Corporation proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by CDNX and is subject to Majority of the Minority Approval in accordance with the CPC Policy. The Corporation has not conducted commercial operations [other than to enter into discussions for the purpose of identifying potential acquisitions or interests]. [If applicable: To date, these discussions have focused on [describe or, alternatively, make a cross-reference to "Potential Qualifying Transaction".] The Corporation currently intends to pursue a Qualifying Transaction in the [state industry sector as oil and gas, mining, research and development, technology etc] but there is no assurance that this will, in fact, be the business sector of a proposed Qualifying Transaction or of the Corporation following Completion of the Qualifying Transaction."

- (2) State:
  - (a) the restrictions on the business to be carried on by the CPC until Completion of the Qualifying Transaction as prescribed by the CPC Policy; and
  - (b) the maximum amount of refundable and non-refundable loans or deposits that may be advanced to a target issuer, as permitted by the CPC Policy.

Disclosure in substantially the following form is recommended:

"Until Completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of CDNX, this may include the raising of additional funds in order to finance an acquisition. Except as described under ["Private Placement for Cash", and "Restrictions on Use of Proceeds"], the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition.

[Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction,] the Corporation has not yet entered into an Agreement in Principle."

- 6.3 Geographical Restrictions** - Include a summary of the geographical restrictions on a Qualifying Transaction prescribed by the CPC Policy. Disclosure in substantially the following form is recommended:

"In accordance with the CPC Policy, except where the Resulting Issuer will be an oil and gas issuer or a mining issuer, the Significant Assets must be located in Canada or the United States."

INSTRUCTION:

- (1) *In the event that management has placed geographical or other restrictions on the business of the CPC in addition to those set forth in the CPC Policy, state those restrictions and modify the above disclosure accordingly to refer specifically to the known geographic or foreign elements and any risks associated with such geographic or foreign elements.*

- 6.4 Method of Financing** – Provide disclosure that there may be a requirement for the CPC to undertake additional financings in order to effect a Qualifying Transaction and include bold print disclosure respecting the possibility of a further dilution to the investor. Include a statement in substantially the following form with bracketed information completed.

"The Corporation may use [either] [cash/bank financing/issuance of treasury shares or public financing of debt or equity, or a combination of these,] [clarify the foregoing, as required] for the purpose of financing its proposed Qualifying Transaction. **A Qualifying Transaction financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**"

- 6.5 Criteria for a Qualifying Transaction:** Describe management's criteria for reviewing prospects for a proposed Qualifying Transaction, including the criteria that will be used by management in assessing whether to approve the terms of a proposed Qualifying Transaction. State all relevant considerations intended to be used by management. The following disclosure is suggested, which should be revised to include any other relevant considerations:

"The board of directors of the Corporation must approve any proposed Qualifying Transaction. In exercising their powers and discharging their duties in relation to a proposed Qualifying Transaction, the directors will act honestly and in good faith with a view to the best interests of the Corporation and will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."

- 6.6 Shareholder Approval of the Qualifying Transaction** - Describe the shareholder approval process for the Qualifying Transaction set forth in the CPC Policy and disclose the steps required in order for the CPC to obtain approval for the Qualifying Transaction. Disclosure in substantially the following form is recommended:

"Upon the Corporation reaching an Agreement in Principle, the Corporation must issue a comprehensive news release, at which time CDNX generally will halt trading in the Corporation's Common Shares until the filing requirements of CDNX have been satisfied as set forth under ["Trading Halts, Suspensions and Delisting"]. Within 75 days after issuance of such news release, the Corporation shall be required to submit for review to CDNX an information circular that complies with applicable corporate and securities laws. In addition, the information circular must contain prospectus level disclosure of the Target Company and the corporation, assuming Completion of the Qualifying Transaction, and be prepared in accordance with the CPC Policy and Form 3B. Upon acceptance by CDNX, the Corporation must then mail the information circular and

related proxy material to its shareholders in order to obtain the Majority of the Minority Approval of the Qualifying Transaction at a meeting of shareholders.

Unless waived by CDNX, the Corporation will also be required to retain a Sponsor, who must be a member of CDNX, and who will be required to submit to CDNX a Sponsor Report prepared in accordance with the Policies of CDNX. The Corporation will no longer be considered to be a CPC upon CDNX having issued the Final Exchange Bulletin. CDNX will generally not issue the Final Exchange Bulletin until CDNX has received:

- (i) confirmation of Majority of Minority Approval of the Qualifying Transaction;
- (ii) confirmation of closing of the Qualifying Transaction; and
- (iii) all post-meeting documentation otherwise required to be filed with CDNX pursuant to the CPC Policy.

Upon issuance of the Final Exchange Bulletin, the CPC Policy will generally cease to apply, with the exception of the escrow provisions of the CPC Policy and the restrictions in the CPC Policy precluding the Corporation from completing a reverse take-over for a period of one year from the Completion of the Qualifying Transaction.”

**6.7 Potential Qualifying Transaction** - If a CPC has entered into negotiations respecting a potential Qualifying Transaction and negotiations have progressed to a stage where disclosure is required to be made under applicable securities laws, include, to the extent known, the following:

- (a) disclosure of the potential Qualifying Transaction contemplated by the CPC;
- (b) disclosure of any interest of the Non Arm’s Length Parties to the CPC in the proposed Significant Assets;
- (c) disclosure of any relationship between the Non Arm’s Length Parties to the CPC and the Non Arm’s Length Parties to the potential Qualifying Transaction;
- (d) sufficient disclosure to enable a potential investor to make a reasoned assessment of:
  - (i) the nature and character of the proposed Significant Assets and the magnitude of the potential Qualifying Transaction;
  - (ii) the nature of the consideration to be paid by the CPC in respect of the potential Qualifying Transaction including an indication of how the consideration is to be satisfied and the estimated amounts to be paid including, as applicable, a description of any financing arrangements, including the amount, security, terms, use of proceeds and details of agent’s compensation;
  - (iii) if the proposed Significant Assets were acquired by the Vendor(s) within three years of the potential Qualifying Transaction, the costs of the proposed Significant Assets to the Vendor(s);
  - (iv) to the extent known, a description of the proposed Significant Assets, including a statement as to the industry sector in which the CPC will be involved upon the Completion of the Qualifying Transaction; and
  - (v) the proposed timing, if any, for the completion of the potential Qualifying Transaction;

- (e) the location of the proposed Significant Assets, including, in the event that the proposed Significant Assets are to be acquired by the acquisition of a proposed Target Company, identification of the jurisdiction of incorporation or creation of the proposed Target Company;
- (f) the full names and jurisdictions of residence of each of the Vendors of the proposed Significant Assets and, if any of the Vendors is a company, the full name and jurisdiction of incorporation or creation of that company, and the name and jurisdiction of residence of each of the individuals who, directly or indirectly, beneficially hold a controlling interest in or who otherwise control or direct that company;
- (g) the names and backgrounds of all persons or companies who will constitute Insiders of the CPC upon Completion of the Qualifying Transaction;
- (h) a description of any deposit made as permitted by the CPC Policy and a description of any advance or loan to be made, subject to CDNX acceptance, including the terms of the advance, loan or any proposed private placement from which proceeds are to be raised for such advance or loan and the proposed use of such advance or loan; and
- (i) an indication of all significant conditions required to close the potential Qualifying Transaction

**6.8 Minimum Listing Requirements** - State that the resulting issuer must satisfy CDNX's minimum listing requirements. Include a statement in substantially the following form:

"The [Resulting Issuer] must satisfy CDNX's minimum listing requirements (other than public distribution requirements) for the particular industry sector in either Tier 1 or Tier 2 as prescribed under the applicable Policies of CDNX. The [Resulting Issuer] must meet the tier maintenance public distribution requirements for an issuer in its first year of listing under the applicable Tier."

**6.9 Trading Halts, Suspension and Delisting** - State the consequences to a CPC:

- (a) in the event that there is a public announcement regarding a proposed Qualifying Transaction; and
- (b) in the event that the CPC fails to close a Qualifying Transaction in accordance with the CPC Policy.

Include a statement in substantially the following form:

"CDNX will generally halt trading in the Common Shares from the date of the public announcement of an Agreement in Principle until all filing requirements of CDNX have been satisfied, which includes the submission of a Sponsorship Acknowledgment Form, where the Qualifying Transaction is subject to sponsorship. In addition, personal information forms for all individuals who may be directors, senior officers, promoters, or insiders of the Resulting Issuer must be filed with CDNX and any preliminary background searches that CDNX considers necessary or advisable, must also be completed, before the trading halt will be lifted by CDNX.

Even if all filing requirements have been satisfied and preliminary background checks completed, CDNX may continue or reinstate a halt in trading of the Common Shares for public policy reasons including:

- (a) the unacceptable nature of the business of the Resulting Issuer, or

- (b) the number of conditions precedent to, or the nature and number of deficiencies required to be resolved prior to, completion of the Qualifying Transaction, are so significant or numerous as to make it appear to CDNX that the halt should be reinstated or continued.

A trading halt may also be imposed by CDNX where the Corporation fails to file the supporting documents relating to the Qualifying Transaction within a period of 75 days after public announcement of the Agreement in Principle or if the CPC fails to file post-meeting documents within the time required. A trading halt may also be imposed if a Sponsor terminates its sponsorship.

CDNX may suspend from trading or delist the Common Shares of the Corporation where the Exchange has not issued a Final Exchange Bulletin to the CPC within 18 months of the date of listing.”

INSTRUCTION:

- (1) *Include a cross-reference to the applicable sections of the prospectus describing the requirements of CDNX in accepting the Qualifying Transaction, including, specifically, the requisite shareholder approval of the Qualifying Transaction.*

**6.10 Refusal of Qualifying Transaction** - Disclose that CDNX, in its sole discretion, may not accept a Qualifying Transaction. Include a statement in substantially the following form, with bracketed information completed:

"CDNX, in its sole discretion, may not accept a Qualifying Transaction where:

- (a) the Resulting Issuer fails to satisfy the applicable minimum listing requirements of CDNX;
- (b) the aggregate number of securities of the Resulting Issuer owned, directly or indirectly, by:
  - (i) a member firm of CDNX;
  - (ii) registrants, unregistered corporate finance professionals, employee shareholders and partners of such member firm; and
  - (iii) associates of any such person,collectively, would exceed 20% of the issued and outstanding securities of the Resulting Issuer;
- (c) the Resulting Issuer will be a financial institution, finance company, finance issuer or mutual fund, as defined in the securities legislation;
- (d) the majority of the directors and senior officers of the Resulting Issuer are not residents of Canada or the United States or are individuals who have not demonstrated positive association as directors or officers with public companies that are subject to a regulatory regime comparable to the companies listed on a Canadian exchange;
- (e) in the case of a Resulting Issuer, other than an oil and gas or mining issuer, the Qualifying Transaction involves the acquisition of Significant Assets, outside of Canada or the United States; or

- (f) notwithstanding the definition of a Qualifying Transaction, there is any other reason for denying acceptance of the Qualifying Transaction.”

**Item 7: Use of Proceeds**

**7.1 Proceeds and Principal Purposes – State:**

- (a) the gross proceeds received by the CPC from the sale of common shares prior to the date of the prospectus,
- (b) the expenses and costs of the issue referred to in (a) above,
- (c) the gross proceeds to be received by the CPC from the sale of the common shares distributed under the prospectus,
- (d) the expenses and costs of the issue referred to in (c), incurred to date and expected to be incurred, and
- (e) the estimated funds to be available to the CPC from the sale of (i) the common shares distributed under the prospectus and (ii) prior sales of common shares.

Disclose the particulars of any provisions or arrangements made for holding any part of the net proceeds of the distribution in trust or escrow subject to the fulfillment of conditions.

In addition, describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the total funds available to the CPC will be used. Include a statement in substantially the following form:

"The following indicates the principal uses to which the Corporation proposes to use the total funds available to it upon the completion of this Offering:

	\$€
Cash proceeds raised prior to this Offering <sup>(1)</sup>	
Expenses and costs relating to raising the cash proceeds	\$€
Cash proceeds to be raised pursuant to this Offering <sup>(2)</sup>	\$€
Expenses and costs relating to the Offering (including listing fees, Agent’s commission, legal fees, audit fees and expenses)	\$€
	€
<b>Estimated funds available (on completion of the Offering)</b>	\$€
Funds available for identifying and evaluating assets or business prospects <sup>(3)</sup>	\$€
Estimated general and administrative expenses until Completion of a Qualifying Transaction	\$€
	<u>\$€ [total net proceeds]</u>

Notes:

- (1) See ["Prior Sales"].

- (2) [In the event the Agent exercises the Agent's Option, or the directors, officers or technical consultants exercise their options] [or the Eligible Charitable Organization, exercises its option ] there will be available to the Corporation a maximum of an additional \$[state amount] which will be added to the working capital of the Corporation. There is no assurance that any of these options will be exercised.
- (3) In the event that the Corporation enters into an Agreement in Principle prior to spending the entire \$[state amount] on identifying and evaluating assets or businesses, the remaining funds may be used to finance or partially finance the acquisition of Significant Assets or for working capital after Completion of the Qualifying Transaction.

Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any Province or territory of Canada or the Government of the United States of America, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies or credit unions.

The proceeds from this Offering and any prior sale of Common Shares, after deducting the expenses associated with this Offering, will only be sufficient to identify and evaluate a finite number of assets and businesses, and additional funds may be required to finance any acquisition to which the Corporation may commit.”

**INSTRUCTION:**

- (1) *If there is a minimum and a maximum number of common shares being offered, revise the recommended disclosure above to provide for disclosure of the use of proceeds for both the minimum and maximum subscriptions.*

- 7.2 Permitted Use of Funds** - State the permitted use of funds by the CPC until Completion of the Qualifying Transaction. Include a statement in substantially the following form with bracketed information completed:

"Until the Completion of the Qualifying Transaction and except as otherwise specifically provided by the CPC Policy and described in ["Restrictions on Use of Proceeds", "Private Placements for Cash," and "Prohibited Payments to Related Parties"], the gross proceeds realized from the sale of all securities issued by the Corporation will be used by the Corporation only to identify and evaluate businesses or assets and obtain shareholder approval for a proposed Qualifying Transaction.

The proceeds may be used for expenses incurred for the preparation of:

- (i) valuations or appraisals;
- (ii) business plans;
- (iii) feasibility studies and technical assessments;
- (iv) sponsorship reports;
- (v) engineering or geological reports;
- (vi) financial statements, including audited financial statements; and
- (vii) fees for legal and accounting services,

relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction.

In addition, with the prior acceptance of CDNX, up to an aggregate of \$100,000 may be advanced as a refundable deposit or secured loan by the Corporation to a Vendor or Target Company, as the case may be, for a proposed arm's length Qualifying Transaction that has been publicly announced at least 15 days prior to the date of such advance, due diligence with respect to the Qualifying Transaction is well underway and either a Sponsor has been engaged or sponsorship has been waived. A maximum aggregate amount of \$25,000 may also be advanced as a non-refundable deposit, unsecured deposit or advance to a Vendor or Target Company, as the case may be, to preserve assets without the prior acceptance of CDNX."

**7.3 Restrictions on Use of Proceeds** - State the CDNX restrictions on the use of proceeds by a CPC until Completion of the Qualifying Transaction. Include a statement in substantially the following form with bracketed information completed:

"Until Completion of a Qualifying Transaction, not more than 30% of the gross proceeds from the sale of all securities issued by the Corporation will be used for purposes other than those described above. For greater certainty, expenditures which are not included as [Permitted Uses of Funds"], listed above, include:

- (a) listing and filing fees (including SEDAR fees);
- (b) agents fees, costs and commissions;
- (c) other costs for the issuance of securities, (including legal, accounting and audit expenses) relating to the preparation and filing of this prospectus; and
- (d) administrative and general expenses of the Corporation, including:
  - (i) office supplies, office rent and related utilities;
  - (ii) printing costs (including the printing of this prospectus and share certificates);
  - (iii) equipment leases; and
  - (iv) fees for legal advice and audit expenses, other than those described above under ["Permitted Use of Funds"].

No proceeds will be used to acquire or lease a vehicle."



**7.4 Private Placements for Cash** - Include disclosure as to the CDNX restrictions respecting private placement financings prior to or in conjunction with a Qualifying Transaction. Include a statement in substantially the following form:

"After the closing of the Offering and until the Completion of the Qualifying Transaction, the Corporation will not issue any securities unless written acceptance of CDNX is obtained before issuance. Prior to the public announcement of the proposed Qualifying Transaction, CDNX generally will not accept a private placement by the Corporation where the gross proceeds raised from the issuance of securities both prior to and pursuant to the Offering, together with any proceeds anticipated to be raised upon closing of the private placement, will exceed \$700,000. However, where a proposed Qualifying Transaction has been publicly announced, and provided that the funds to be raised are to be used in connection with a proposed Qualifying Transaction, CDNX may permit a private placement to be made for gross proceeds of up to an additional \$125,000 where:

- (a) the proposed Qualifying Transaction is not a transaction with a Non Arm's Length Party;
- (b) due diligence in relation to the Qualifying Transaction is well underway,
- (c) a Sponsor has been engaged or sponsorship has been waived;
- (d) the securities issued pursuant to the private placement are excluded from voting on the Qualifying Transaction and any other matter relating to the Qualifying Transaction; and
- (e) adequate disclosure as to the use of proceeds for the private placement is provided to placees.

If the price of the securities proposed to be issued pursuant to the private placement is based on a price estimated prior to the public announcement of the proposed Qualifying Transaction or the Common Shares of the Corporation have not yet commenced to trade, then any Common Shares issued pursuant to the private placement to Non Arm's Length Parties to the Corporation and to Principals of the Resulting Issuer will be subject to escrow."

**7.5 Prohibited Payments to Non Arm's Length Parties** – Describe the restrictions on payments to Non Arm's Length Parties to the CPC and Non Arm's Length Parties to the Qualifying Transaction until Completion of the Qualifying Transaction, as set forth in the CPC Policy. Include a statement in substantially the following form:

"[Except as described under ["Options to Purchase Securities"] and ["Restrictions on Use of Proceeds"]], the Corporation has not made, and until the Completion of the Qualifying Transaction will not make, any payment of any kind, directly or indirectly, to a Non Arm's Length Party to the Corporation or a Non Arm's Length Party to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- (a) remuneration, which includes but is not limited to salaries, consulting fees, management contract fees or directors' fees, finders' fees, loans, advances and bonuses, and
- (b) deposits and similar payments.

Further, no such payment will be made on or after the Completion of a Qualifying Transaction if such payment relates to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse a Non Arm's Length Party to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a promoter of the Corporation or in the case of a law firm, no member of the firm, owns greater than 10% of the outstanding Common Shares of the Corporation), and the Corporation may also reimburse a Non Arm's Length Party to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation described in ["Permitted Use of Funds"].

The foregoing restrictions on the use of proceeds and prohibitions on payments to Non Arm's Length Parties and persons engaged in investor relations activities continue to apply until the Completion of the Qualifying Transaction."

**Item 8: Plan of Distribution**

**8.1 Name of Agent(s) and Agent(s) Compensation –**

- (1) State the name of each agent(s).
- (2) Provide the following information respecting all compensation payable to the agent in its capacity as agent or sponsor based on the restrictions contained in the CPC Policy:
  - (a) the sales commission payable to the agent as compensation for acting as the agent in connection with the offering;
  - (b) any corporate finance fee or any other compensation, in the aggregate, paid or to be paid to the agent in its capacity as agent or underwriter or otherwise in connection with the prospectus and any aggregate amount to be paid in connection with a proposed Qualifying Transaction, if known;
  - (c) any agent's option or other right to subscribe for securities of the issuer granted to the agent including:
    - (i) the number of common shares issuable upon exercise of the agent's option or right;
    - (ii) the exercise price per common share under the agent's option or right;
    - (iii) the exercise period for the agent's option or right;
    - (iv) the number of agent's options or rights exercisable by the agent prior to Completion of the Qualifying Transaction;
    - (v) information as to whether and what portion of any agent's options or rights are proposed to be distributed pursuant to the prospectus; and
    - (vi) particulars of the grant, including consideration for the grant.

- (d) In connection with the foregoing, disclosure in substantially the following form is recommended:

"Pursuant to an agency agreement (the "Agency Agreement") dated [date] among the Corporation, [the agent(s)] (the "Agent(s)") and [the trust company, registrant or chartered bank] (the "Depository"), the Corporation has appointed the Agent(s) as its agent(s) to offer for sale on a best efforts basis to the public [number] Common Shares as provided in this prospectus, at a price of \$[state price] per Common Share, for gross proceeds of \$[state amount], subject to the terms and conditions in the Agency Agreement. The Agent(s) will receive a commission of [state percent]% of the aggregate gross proceeds from the sale of the Common Shares. In addition, the Corporation will pay to the Agent(s) a corporate finance fee of \$[state amount] plus GST and will pay the Agent's [legal fees/expenses], estimated at \$[state amount].

[The Corporation has also agreed to grant to the Agent(s) a non-transferable option (the "Agent's Option") to purchase [state number] Common Shares at a price of \$[state price] per share, which may be exercised for a period of [state outside date not exceeding 18 months] months from the date the Common Shares of the Corporation are listed on CDNX.] [All/%] of the Agent's Option is qualified under this prospectus. [The Agent(s) intends to sell to the public any Common Shares received by it upon the exercise of its option.] Not more than 50% of the Common Shares received on the exercise of the Agent's Option may be sold by the Agent(s) prior to the Completion of the Qualifying Transaction. The remaining 50% may be sold after the Completion of the Qualifying Transaction. The Agent(s) [has/have] agreed to use [its/theirs] best efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. [The obligations of the Agent(s) under the Agency Agreement may be terminated at [its/their] discretion on the basis of [its/their] assessment of the state of financial markets and may also be terminated on the occurrence of certain events as stated in the Agency Agreement."]

INSTRUCTIONS:

- (1) *The securities must be distributed by an agent or agents at least one of whom must be a member of CDNX.*
- (2) *Revise the foregoing disclosure, as necessary in order to reflect all of the compensation payable to the agent(s) in connection with the offering.*

**8.2 Best Efforts Offering and Minimum Distribution**

- (1) Outline briefly the plan of distribution of any securities being distributed.

- (2) State the minimum amount of proceeds that are required to be raised under the offering. Also indicate that the distribution will not continue for a period of more than 90 days after the date of the receipt for the prospectus if subscriptions representing the minimum amount of funds to be raised by the offering are not obtained within that period, unless each of the persons or companies who subscribed within that period has consented to the continuation of the offering. State that during the 90 day period (or such period as may be consented to by such subscribers ) funds received from subscriptions will be held by a depository who is a registrant, bank or trust company and that if the minimum amount of funds is not raised the funds will be returned to the subscribers unless the subscribers have otherwise instructed the depository.

In addition, disclose the CDNX restrictions as set forth in the CPC Policy in respect of the number and percentage of Common Shares that may be purchased by the individual purchaser as well as by that purchaser's Associates and Affiliates pursuant to the prospectus.

Disclosure in substantially the following form is recommended:

"The total Offering is of [state number] Common Shares for total gross proceeds of \$[state amount]. Under the CPC Policy, no purchaser of the Common Shares is permitted to purchase more than 2% or [state number] of the total Common Shares in the Offering. In addition, the maximum number of Common Shares permitted to be purchased by that purchaser together with any Associates of Affiliates of that purchaser is 4% or [state number] of the total number of Common Shares under the Offering. The funds received from the Offering will be deposited with the Depository, and will not be released until a minimum of \$[state number] has been deposited. The total subscription must be raised within 90 days of the date a receipt for the prospectus is issued, or such other time as may be consented to by persons or companies who subscribed within that period, failing which the Depository will remit the funds collected to the original subscribers without interest or deduction, unless subscribers have otherwise instructed the Depository."

INSTRUCTION:

- (1) *Revise the above disclosure to provide for minimum and maximum subscriptions, if applicable.*

- 8.3 Other Securities To Be Distributed** - Provide information as to any other securities, in addition to the agent's options, that are intended to be distributed under this prospectus. Disclosure in substantially the following form, with applicable bracketed information to be completed, is recommended.

"The Corporation also proposes to grant options to purchase [state number] Common Shares to [directors/officers/and technical consultants] in accordance with the policies of CDNX, [which options are qualified for distribution under this prospectus]. [The Corporation also plans to grant options to purchase [state number] Common Shares to Eligible Charitable Organizations in accordance with the policies of CDNX which options are qualified for distribution under this prospectus]."

- 8.4 Determination of Price** - Disclose the method by which the distribution price has been determined, for example, either arbitrarily by the board of directors of the CPC, or by negotiation between the CPC and the agent or otherwise.

- 8.5 Listing Application** - If application has been made to list the CPC's common shares on CDNX, include a statement, in substantially the following form:

"The Corporation has applied to list its Common Shares on CDNX. Listing will be subject to the Corporation fulfilling all the listing requirements of CDNX."

**8.6 Conditional Listing Approval** - If application has been made to list the common shares being distributed on CDNX and conditional acceptance has been received, include a statement, in substantially the following form, with the bracketed information completed:

"CDNX has conditionally accepted the listing of these Common Shares. Listing is subject to the Corporation fulfilling all of the requirements of CDNX."

**8.7 Restrictions on the Agent** - State the CDNX restrictions on the securities that may be held by the agent, pursuant to the offering and prior to Completion of the Qualifying Transaction. Include a statement in substantially the following form with bracketed information completed:

[The Agent] has advised the Corporation that to the best of its knowledge and belief, neither it, nor any of its directors, officers, employees or contractors or any Associate or Affiliate of the foregoing:

- (i) has subscribed for Common Shares of the Corporation, or
- (ii) are permitted to subscribe for Common Shares of the Corporation pursuant to this distribution; and

until Completion of the Qualifying Transaction, the aggregate number of Common Shares permitted to be owned directly or indirectly by the participants referred to in [Item 8.7(a)], is 20% of the issued and outstanding Common Shares of the Corporation exclusive of Common Shares reserved for issuance at a future date.

**8.8 Restrictions on Trading** – Include substantially the following disclosure of restrictions on trading in the CPC's securities, with bracketed information completed, as applicable.

"Other than the initial distribution of the Common Shares pursuant to this prospectus, [the grant of the Agent's Option] and [the grant of options to the directors, officers and technical consultants of the Corporation] [and the grant of options to Eligible Charitable Organizations] no securities of the Corporation will be permitted to be issued during the period between the date a receipt for the preliminary prospectus is issued by the [securities regulatory authority(ies)] and the time the Common Shares are listed for trading on CDNX, except subject to prior acceptance of CDNX, where appropriate registration and prospectus exemptions are available under securities legislation or where the applicable securities regulatory authorities grant a discretionary order."

## **Item 9: Description of the Securities Distributed**

**9.1 Shares** - State the description or the designation of the common shares to be distributed.

INSTRUCTION:

- (1) *This item requires only a brief summary of the provisions that are material from an investment standpoint. The provisions attaching to the common shares being distributed do not need to be set out in full.*

## **Item 10: Capitalization**

### **10.1 Capitalization**

- (1) Describe any material change in, and the effect of the material change on, the common share and loan capital of the CPC since the date of the CPC's most recent balance sheet contained in the prospectus. Furnish in substantially the tabular form indicated, or where appropriate in notes thereto, particulars of the share capital of the CPC:

TABLE

Column 1	Column 2	Column 3	Column 4	Column 5
			Amount outstanding as of a specific date within 30 days of the date of the prospectus <sup>(1)</sup>	Amount to be outstanding if all Common Shares being offered are sold <sup>(1)(2)</sup>
<u>Common Shares</u>	<u>Amount authorized or to be authorized</u>	<u>Amount outstanding as of the date of the most recent balance sheet contained in the prospectus <sup>(1)</sup></u>	<u>prospectus <sup>(1)</sup></u>	<u>sold <sup>(1)(2)</sup></u>

- (2) Set out in a note the number of shares subject to option, including any options to be granted to the agent under the prospectus as well as any options granted or to be granted to directors, officers and technical consultants and any options proposed to be granted to an Eligible Charitable Organization, and the expiry date for all such options.
- (3) State in a note, the proceeds after giving effect to the offering either (i) prior to deducting the estimated expenses of the offering, and including an estimate of such expenses, or (ii) after giving effect to the offering and deducting the expenses of the issue.
- (4) State that as at the date of such balance sheet the CPC had not commenced commercial operations.
- (5) The 30-day period referred to in Column 4 is to be calculated within 30 days of the date of the preliminary prospectus. Where more than 30 days have elapsed from the date of the preliminary prospectus, the information included in the final prospectus must be updated to a date within 30 days of the final prospectus.

INSTRUCTION:

If there is a minimum and a maximum number of common shares being offered, revise the disclosure in column 5 of the table to take into account the number of common shares outstanding based on both the minimum and maximum subscriptions.

**Item 11: Options to Purchase Securities**

**11.1 Options**

- (1) State, in tabular form, as at a specified date not more than 30 days before the date of the prospectus, information as to options to purchase securities of the CPC that are held or will be held upon completion of the distribution by all persons or companies specifically naming each such person or company.
- (2) If options are qualified for distribution under the prospectus, disclosure in substantially the following form, with bracketed information to be completed, is recommended:

"The options to purchase [state number] Common Shares to be granted [after closing this Offering] [to directors, officers and technical consultants] [as well as options to purchase [state number] Common Shares to be granted to [state name], an Eligible Charitable Organization], (subject to regulatory approval) are qualified for distribution pursuant to this prospectus."

INSTRUCTIONS:

(1) Describe the options, stating the material provisions of each class or type of option, including:

- (a) the number of the common shares under option;
- (b) the purchase price of the common shares under option; and
- (c) the expiration dates of the options.

(2) If options to purchase common shares of the CPC are held or will be held upon completion of the distribution by technical consultants provide the following information:

- (a) a description of the nature of the technical consultant's expertise as well as the nature of the services to be provided to the CPC,
- (b) a summary of the particulars of the material contract entered into or anticipated to enter into with each technical consultant including, in addition to the grant of options, any other consideration to be paid, and
- (c) the disclosure required by sections 15.1(7) and 15.2 to 15.6, inclusive, as may be applicable, for each technical consultant

**11.2 Stock Option Terms** - Provide disclosure relating to the CPC Policy and any other CDNX Policy requirement applicable to any incentive stock options granted or intended to be granted by the CPC, upon closing of the offering, including information as to:

- (a) persons or companies eligible to be granted options;
- (b) restrictions as to the aggregate number of common shares that may be reserved for issuance as options;
- (c) restrictions as to the number of common shares that may be reserved for issuance as options to any one optionee;
- (d) the maximum period for exercise of options;
- (e) the non-transferability of options;
- (f) the termination of options, and
- (g) escrow requirements imposed on common shares acquired upon exercise of stock options prior to Completion of the Qualifying Transaction.

Disclosure in substantially the following form is recommended:

"The Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with CDNX requirements, grant to directors, officers, and technical consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance [together with any options issued to Eligible Charitable Organizations] will not exceed [10% of the issued and outstanding Common Shares] exercisable for a period of up to 5 years from the date of grant. The number of Common Shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any Common Shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See ["Escrow Securities"]."

INSTRUCTION:

- (1) *Revise the foregoing disclosure, as need be, to reflect the specific terms of the stock option agreement, entered into or to be entered into with an optionee or any stock option plan of the CPC having regard to the restrictions applicable to stock options generally set out in the policies of CDNX as may be amended from time to time.*

**11.3 Options to Eligible Charitable Organizations** - Include a summary of any options proposed to be granted to any Eligible Charitable Organization, including, the identity of the Eligible Charitable Organization, the aggregate number of options proposed to be granted, the exercise price of such options, the time period for exercise as well as any restrictions on the aggregate number of options that may be granted to Eligible Charitable Organizations.

If applicable, disclosure in substantially the following form is recommended:

"In accordance with CDNX Policy 4.7, the Corporation proposes to grant a non-transferable option to [name of eligible charitable organization] (the "Charity") an Eligible Charitable Organization, to purchase [insert number] of Common Shares exercisable at a price of \$[price] per share until the earlier of the date that is not more than 10 years from the closing of this Offering and the 90<sup>th</sup> day from the date that the Charity ceases to be an Eligible Charitable Organization. The aggregate number of Common Shares issuable upon exercise of options granted to Eligible Charitable Organizations cannot exceed 1% of the total number of Common Shares (calculated on a non-diluted basis adjusted for any stock splits or consolidations) outstanding immediately after the closing of this Offering and such options, together with options granted to directors, officers, or technical consultants of the Corporation shall not exceed 10% of the issued and outstanding Common Shares."



**Item 12: Prior Sales**

**12.1 Prior Sales** - State the prices at which the common shares have been sold since incorporation, or are to be sold, by the CPC and the number of common shares sold or to be sold at each price substantially in the following format:

“Since the date of incorporation of the Corporation, [state number] Common Shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
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**Item 13: Escrowed Securities**

**13.1 Securities Escrowed Prior to the Completion of the Qualifying Transaction**

- (1) Include disclosure of all common shares which must be escrowed, or may be required to be escrowed, in accordance with the policies of CDNX prior to the Completion of the Qualifying Transaction, including, as applicable, all shares acquired by way of private placement, shares acquired under the prospectus and shares acquired from treasury after the completion of the offering. Disclose the name of the escrow agent. If there is a pooling agreement or other escrow restrictions in addition to those required by CDNX, disclose the material terms of the restrictions and the parties to the agreement. The following disclosure of CDNX escrow requirements is recommended:

"All of the [insert number] Common Shares issued prior to this Offering at a price below \$[the issue price under the prospectus] per Common Share and all Common Shares that may be acquired by Non Arm's Length Parties of the Corporation either under the Offering or otherwise prior to Completion of the Qualifying Transaction will be deposited with [the escrow agent] under an escrow agreement [dated] (the "Escrow Agreement").

All Common Shares acquired on exercise of stock options prior to the Completion of a Qualifying Transaction, must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

In addition, all Common Shares of the Corporation acquired in the secondary market prior to the Completion of a Qualifying Transaction by any person or company who becomes a Control Person are required to be deposited in escrow. Subject to certain exemptions permitted by CDNX, all securities of the Corporation held by Principals of the Resulting Issuer, will also be escrowed."

- (2) State as of the date of the prospectus in substantially the following form, the number of common shares held, or to be held in escrow and the percentage that number represents of the outstanding common shares.

“The following table sets out, as at the date hereof, the number of Common Shares of the Corporation, which are held in escrow.”

Name and Municipality of Residence of Shareholder	Common Shares	Number of Shares held in escrow	Percentage of Shares prior to giving effect to the Offering	Percentage of Shares after giving effect to the Offering

INSTRUCTION:

(1) *For purposes of this item, escrow also includes any securities subject to a pooling agreement. If there are securities subject to a pooling agreement, provide applicable additional disclosure.*

(3) In respect of holding companies, state the CDNX escrow restrictions in respect of common shares held by a holding company. Include a statement in substantially the following form:

"Where the Common Shares of the Corporation which are required to be held in escrow are held by a non-individual (a "holding company"), each holding company pursuant to the Escrow Agreement, has agreed, or will agree, not to carry out any transactions during the currency of the Escrow Agreement which would result in a change of control of the holding company, without the consent of CDNX. Any holding company must sign an undertaking to CDNX that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities could reasonably result in a change of control of the holding company. In addition, CDNX may require an undertaking from any control person of the holding company not to transfer the shares of that company."

(4) State the date of and conditions governing the release of the common shares from escrow. Disclosure in substantially the following form is recommended:

"Under the Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

(5) Disclose any change in the terms of release of the escrowed shares and the conditions governing the transfer of common shares within escrow. Disclosure in substantially the following form is recommended:

"If the [Resulting Issuer] meets CDNX's Tier 1 minimum listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed Common Shares will be accelerated. An accelerated escrow release will not commence until the [Resulting Issuer] has made application to CDNX for listing as a Tier 1 issuer and CDNX has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of CDNX.

CDNX's prior consent must be obtained before a transfer within escrow of escrowed Common Shares. Generally, CDNX will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction."

- (6) Disclose any terms pursuant to which escrowed shares may be cancelled. Disclosure in substantially the following form is recommended:

"If a Final Exchange Bulletin is not issued, the escrowed Common Shares will not be released. Under the Escrow Agreement each Non Arm's Length Party to the Corporation who holds escrowed Common Shares acquired at a price below the Offering price under this prospectus has irrevocably authorized and directed the [escrow agent] to immediately cancel all of those escrowed Common Shares upon the issuance by CDNX of a bulletin delisting the Common Shares of the Corporation."

**13.2 Escrowed Securities On Qualifying Transaction** - State the CDNX escrow requirements as to securities that may be issued pursuant to a Qualifying Transaction and the general requirement that additional securities may be escrowed in accordance with the terms of the CPC Policy in conjunction with the Qualifying Transaction. Disclosure in substantially the following form is recommended.

"Generally, if at least 75% of the securities issued pursuant to the Qualifying Transaction are "Value Securities", then all the securities issued to Principals of the Resulting Issuer pursuant to the Qualifying Transaction will be deposited into escrow pursuant to a value security agreement (the "Value Security Escrow Agreement"). "Value Securities" are securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to CDNX, or securities that are otherwise determined by CDNX to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if at least 75% of the securities issued pursuant to the Qualifying Transaction are not Value Securities, all securities issued pursuant to the Qualifying Transaction will be deposited into a surplus security escrow agreement (a "Surplus Security Escrow Agreement").

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of a Resulting Issuer that will be a Tier 2 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin. In the case of a Resulting Issuer that will be a Tier 2 issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a six year escrow release mechanism with:

- (a) 5% of the escrowed securities being releasable in 6 month intervals on each of the 6, 12, 18 and 24 month anniversaries of the Final Exchange Bulletin; and
- (b) 10% of the escrowed securities being releasable in 6 month intervals on each of the 30, 36, 42, 48, 54, 60, 66 and 72 months after the Final Exchange Bulletin".

In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, with 25% of the escrowed securities being releasable every 6 months thereafter. In the case of a Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three year escrow release mechanism with:

- (a) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin, and

- (b) 15% of the escrowed securities being releasable in 6 month intervals on each of the 6, 12, 18, 24, 30 and 36 months after the Final Exchange Bulletin.

Securities issued pursuant to a private placement to Principals of the Corporation and the proposed Resulting Issuer will generally be exempt from escrow requirements where:

- (a) the private placement is announced at least five trading days after the news release announcing the Agreement in Principle and the pricing for the financing is at not less than the discounted market price, as determined in accordance with the Policies of the Exchange; or
- (b) the private placement is announced concurrently with the Agreement in Principle and
  - (i) at least 75% of the proceeds from the private placement are not from Principals of the Corporation or the proposed Resulting Issuer,
  - (ii) if subscribers, other than Principals of the Corporation or the proposed Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period, and
  - (iii) none of the proceeds of the private placement are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.”

**Item 14: Principal Shareholders**

**14.1 Principal Shareholders**

- (1) Provide the following information for each principal shareholder of the CPC as of the date of the prospectus:
  - (a) the name and municipality of residence;
  - (b) the number or amount of common shares owned;
  - (c) the number or amount of common shares to be owned after the offering;
  - (d) whether the common shares referred to above are owned both of record and beneficially, of record only, or beneficially only; and
  - (e) the percentages of each class of common shares known by the CPC to be owned before and after the offering.

Include a statement in substantially the following form:

"The following table lists those persons who own 10% or more of the issued and outstanding Common Shares of the Corporation as at the date hereof:"

Name and Municipality of Residence	Type of Ownership	Number of Shares	Percentage of Shares Owned Before Offering	Percentage Owned After Offering
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- (2) If, to the knowledge of the CPC or the agent of the securities being distributed, more than 10 percent of any class of common shares is held, or is to be held, subject to any voting trust or other similar agreement, disclose, the designation of the common shares, 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.
- (3) If, to the knowledge of the CPC or the agent of the common shares being distributed, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, the material facts of the relationship, including any basis for influence over the CPC held by the person or company other than the holding of common shares of the CPC.
- (4) In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis, reflecting an assumption that all options, are exercised.

**INSTRUCTIONS:**

- (1) *The term "principal shareholder" means a person or company that is the direct or indirect beneficial owner of, or exercises control or direction over, more than 10 percent of any class or series of voting securities of the CPC.*
- (2) *If a company, partnership, trust or other unincorporated entity is a principal shareholder of a CPC, 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 unincorporated entity, as the case may be, is a principal shareholder or security holder of the company or unincorporated entity.*
- (3) *If there is a minimum and maximum number of common shares being offered revise the disclosure in the table to provide for both the minimum and maximum offerings.*

**Item 15: Directors, Officers and Promoters**

**15.1 Name, Address, Occupation, Security Holding and Involvement with Other Reporting Issuers**

- (1) List the name and municipality of residence of each director, officer and promoter of the CPC and indicate their respective positions and offices held with the CPC, which information may be included in a table.
- (2) State that the majority of the directors and officers will satisfy the qualification requirements of the CPC Policy. The following disclosure is recommended:

"In addition to any other requirements of CDNX, CDNX expects management of the Corporation to meet a high management standard. The directors and officers of the Corporation, on a collective basis, possess the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset."

- (3) State the number and percentage of common shares of the CPC beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and officers of the CPC as a group.
- (4) State the number and percentage of common shares of the CPC beneficially owned, directly or indirectly, or over which control or direction is exercised by each promoter of the CPC.
- (5) Disclose the board committees of the CPC and identify the members of each committee.

- (6) If the principal occupation of a director, officer or promoter of the CPC is acting as an officer or equivalent thereof of a person or company, other than the CPC, disclose the fact and state the principal business of the person or company.
- (7) 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 CPC and relevant educational background,
  - (b) state whether the individual works or will work full-time for the CPC or what proportion of the individual's time will be devoted to the CPC,
  - (c) state the individual's principal occupations or employment during the five years prior to the date of the prospectus, disclosing with respect to each organization as of the time (including month and year) 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, and
  - (d) describe the individual's experience in the CPC's proposed industry group.
- (8) State the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by each promoter directly or indirectly from the CPC, and the nature and amount of any assets, services or other consideration received or to be received by the CPC.

**INSTRUCTIONS:**

- (1) *For purposes of this Item "management" means all directors, officers, and proposed employees and contractors, including any technical consultants.*
- (2) *For purpose of this item, a "promoter" is a person or company that is, or has been, a promoter of the CPC.*
- (3) *The description of the principal occupation of a member of management must be specific. The terms "businessman" or "entrepreneur" are not sufficiently specific.*
- (4) *If, during the period, a director or officer has held more than one position with the CPC or the CPC's controlling shareholder state only the current position held.*

**15.2 Other Reporting Issuer Experience** - Where any proposed director, officer or promoter of the CPC is, or within the five years prior to the date of the prospectus has been, a director, officer or promoter of any other issuer that is or was a reporting issuer in any Canadian jurisdiction, state the name of the individual, the number of reporting issuers for which the individual acts or has acted, the names of those reporting issuers, the exchange or other market where the securities of that reporting issuer were traded, if applicable, and the periods during which the individual has so acted. The following tabular format is recommended:

"The following table sets out the directors, officers and promoter(s) of the Corporation that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:"

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	From	To
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**15.3 Corporate Cease Trade Orders or Bankruptcies** - If a director, officer, insider or promoter of the issuer or a shareholder holding a sufficient number of securities of the CPC to affect materially the control of the CPC is, or within 10 years before the date of the prospectus has been, a director, officer, insider or promoter 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 applicable securities legislation 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.

**15.4 Penalties or Sanctions** - Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of a settlement agreement and the circumstances that gave rise to the settlement agreement, if a director, officer, insider or promoter of the CPC, or a shareholder holding sufficient securities of the CPC to affect materially the control of the CPC, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

**INSTRUCTION:**

- (1) *A self-regulatory authority means a professional self-regulatory body that governs the activities of professional persons including barristers and solicitors, public accountants, auditors, appraisers, engineers and geologists.*

**15.5 Personal Bankruptcies** - If a director, officer, insider or promoter of the CPC, or a shareholder holding sufficient securities of the CPC to affect materially the control of the CPC, or a personal holding company of any such persons has, within the 10 years before the date of the prospectus, as applicable, 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 their assets, state the fact.

- 15.6 Conflicts of Interest** - Disclose particulars of existing or potential material conflicts of interest between the CPC and a director, officer, insider or promoter of the CPC. Include disclosure in substantially the following form with revisions tailored to specific conflicts:

“There are potential conflicts of interest to which [some/all] of the directors, officers, insiders and promoters of the Corporation will be subject in connection with the operations of the Corporation. [some/all] of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Corporation for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where [some/all] of the directors, officers, insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under [set out applicable corporate statutes governing the CPC]”

**Item 16: Executive Compensation**

- 16.1 Remuneration** – Disclose reimbursement of expenses paid to directors and officers of the CPC since the date of incorporation together with any restrictions on payments of such compensation or any other restrictions as to payment of compensation to persons or companies employed or contracted by the CPC, as set forth in the CPC Policy.

A statement in substantially the following form is recommended, tailored to the circumstances of the CPC:

"Except as set out below or otherwise disclosed in this prospectus, prior to Completion of a Qualifying Transaction, no payment of any kind has been made, or will be made, directly to indirectly, by the Corporation to a Non Arm's Length Party to the Corporation or a Non Arm's Length Party to the Qualifying Transaction, or to any person engaged in investor relations activities in respect of the securities of the Corporation or any Resulting Issuer by any means, including:

- (a) remuneration, which includes but is not limited to:
  - (i) salaries;
  - (ii) consulting fees;
  - (iii) management contract fees or directors' fees;
  - (iv) finders fees;
  - (v) loans, advances, bonuses; and
- (b) deposits and similar payments.

However, the Corporation may reimburse Non Arm's Length Parties for the Corporation's reasonable allocation of rent, secretarial services and other general administrative expenses, at fair market value ("Permitted Reimbursement") [, which reimbursements, since incorporation, have totaled the aggregate sum of \$ •]. No reimbursement may be made for any payment made to lease or buy a vehicle.



The directors and officers of the Corporation may also be granted stock options.

[Following Completion of the Qualifying Transaction, it is anticipated that the Corporation shall pay compensation to its directors and officers.] However, no payment other than the Permitted Reimbursements, will be made by the Corporation or by any party on behalf of the Corporation, after Completion of the Qualifying Transaction, if the payment relates to services rendered or obligations incurred or in connection with the Qualifying Transaction.”

#### **Item 17: Dilution**

**17.1 Dilution** – Disclose whether purchasers will incur dilution as a result of their investment. Include a statement substantially in the following form, with bracketed information completed.

“Purchasers of Common Shares under this prospectus will suffer an immediate dilution of [insert percent] % or \$[insert amount] per Common Share on the basis of there being [insert number] Common Shares of the Corporation issued and outstanding following completion of this Offering. Dilution has been computed on the basis of total gross proceeds to be raised by this prospectus and from sales of securities prior to filing this prospectus, without deduction of commissions or related expenses incurred by the Corporation.”

#### **Item 18: Risk Factors**

**18.1 Risk Factors** - Describe the risk factors material to the CPC that a reasonable investor would consider relevant to an investment in the common shares being distributed, such as lack of cash flow and liquidity problems, if any, experience of management, reliance on key personnel, the arbitrary establishment of the offering price, as applicable, regulatory constraints, lack of operating history and any other matter that in the opinion of the CPC would be most likely to influence the investor's decision to purchase the securities. Risks factors should be disclosed in the order of their seriousness in the opinion of the CPC.

**18.2 Suggested Risk Factors** - The following are suggested as risk factors but are not intended to be all-inclusive:

- (a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after Completion of the Qualifying Transaction;
- (b) investment in the Common Shares offered by the prospectus is highly speculative given the proposed nature of the Corporation’s business and its present stage of development;
- (c) the directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- (d) assuming completion of the Offering, an investor will suffer an immediate dilution to its investment of [insert percent] % or \$[insert number] per Common Share;
- (e) there can be no assurance that an active and liquid market for the Corporation’s Common Shares will develop and an investor may find it difficult to resell its Common Shares;
- (f) until Completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;

- (g) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- (h) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- (i) Completion of a Qualifying Transaction is subject to a number of conditions including acceptance by CDNX and Majority of the Minority Approval;
- (j) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the Common Shares;
- (k) upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares of the Corporation will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The Common Shares of the Corporation will be reinstated to trading before CDNX has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction;
- (l) trading in the Common Shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to CDNX in the time periods required;
- (m) CDNX will generally suspend trading in the Corporation's Common Shares or delist the Corporation in the event that CDNX has not issued a Final Exchange Bulletin within 18 months from the date of listing;
- (n) neither CDNX nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- (o) in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
- (p) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation; and
- (q) subject to prior CDNX acceptance, the Corporation may be permitted to loan or advance up to an aggregate of \$125,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan.

**18.3 Required Language** – State the following immediately below the disclosure required by Item 18.2 above:

“As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Corporation and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Common Shares.”

INSTRUCTION:

- (1) *The CPC should consider each of the foregoing risk factors and any additional risk factors that may be appropriate and ensure that disclosure is appropriately tailored to its circumstances. For example, if a director or officer of the CPC resides outside of Canada then in respect of a risk factor relating to management residing outside of Canada identify those directors and officers that reside outside of Canada.*
- (2) *Include appropriate cross-references to the specific sections in the prospectus that address the foregoing item*

**Item 19: Legal Proceedings**

- 19.1 Legal Proceedings** - Describe any legal proceedings material to the CPC to which the CPC is a party and any such proceedings known to the CPC 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:

- (1) *It would be extremely unusual for a CPC to be involved in any legal proceedings and CDNX may refuse listing if the CPC is subject to any such proceedings.*

**Item 20: Relationship Between CPC and Agent**

- 20.1 Relationship Between CPC and Agent** - If applicable, comply with the requirements of National Instrument 33-105 *Underwriting Conflicts*.

**Item 21: Relationship Between CPC and Professional Persons**

**21.1 Relationship Between CPC and Professional Persons –**

- (1) Disclose the nature and extent of any beneficial interest, direct or indirect, in any securities or properties of the CPC or of an associate or affiliate of the CPC, held by a professional person, a responsible solicitor or any partner of a responsible solicitor's firm.
- (2) Disclose whether the professional person, the responsible solicitor or any partner of the responsible solicitor's firm is, or is expected to be elected, appointed or employed as a director, senior officer or employee of the CPC or of an associate or affiliate of the CPC, or a promoter of the CPC or of an associate or affiliate of the CPC.

INSTRUCTIONS:

- (1) *Any payments made to either a lawyer or a law firm are subject to the restrictions set forth in the CPC Policy.*
- (2) *In this section, "professional person" means a person whose profession gives authority to a statement made by the person in the person's professional capacity and includes a barrister and solicitor, a public accountant, an appraiser, an auditor, an engineer and a geologist.*
- (3) *In this section, "responsible solicitor" means the solicitor who is primarily responsible for the preparation of or for advice to the CPC or agent with respect to the contents of the prospectus.*

- (4) *The interest of a responsible solicitor and all partners of that responsible solicitor's firm may be shown in the aggregate. Disclosure regarding the interest of or position with the issuer or an associate or affiliate of the CPC held by any partner of the responsible solicitor's firm is only required where known by the responsible solicitor after reasonable inquiry.*

**Item 22: Auditors, Transfer Agents and Registrars**

- 22.1 Auditors** - State the name and address of the auditor(s) of the CPC.
- 22.2 Transfer Agent and Registrar** - State the names of the CPC's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of common shares.

**Item 23: Material Contracts**

- 23.1 Material Contracts** - Give particulars of every material contract, other than contracts entered into in the ordinary course of business, that was entered into before the date of the preliminary prospectus or prospectus, as applicable by the CPC, and state a reasonable time and place in each jurisdiction where the prospectus has been filed at which the contracts or copies of the contracts may be inspected during distribution of the securities being distributed.

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.*
- (2) *Set out a complete list of all material contracts, indicating those that are disclosed elsewhere in the prospectus and provide particulars about those material contracts for which particulars are not given elsewhere in the prospectus.*
- (3) *Particulars of contracts should include the dates of, parties to, consideration provided for in, and general nature of, the contracts.*

**Item 24: Other Material Facts**

- 24.1 Other Material Facts** - Give particulars of any material facts about the securities being distributed that are not disclosed under the preceding items and are necessary in order for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed.

**Item 25: Purchasers' Statutory Rights of Withdrawal and Rescission**

- 25.1 General** - Comply with National Instrument 41-101 *Prospectus Disclosure Requirements* by including a statement in substantially the following form, with bracketed information completed:

"Securities legislation in [certain of the provinces of Canada/the Province of [insert name of local jurisdiction, if applicable]] provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. [In several of the provinces], [T/the securities legislation further provides a purchaser with remedies for rescission [or [, in some jurisdictions,] damages] if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission [or damages] are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province] for the particulars of these rights or consult with a legal adviser."

## **Item 26: Financial Statements**

**26.1 Financial Statements** - Include the financial statements required under applicable securities legislation or securities directions.

### **INSTRUCTIONS:**

- (1) *In most cases, the CPC will have been incorporated shortly before the prospectus is filed. If the CPC has completed one financial year before filing the prospectus, the CPC is strongly encouraged to have a pre-filing conference with CDNX as to the financial statements to be included in the prospectus.*
- (2) *If the CPC has not completed a financial year, include a balance sheet as at a date not more than 90 days before the date of the preliminary prospectus. The CPC should prepare this balance sheet at a more current date than is required in the event there are delays in obtaining a receipt for a (final) prospectus, as the balance sheet in the (final) prospectus must be as at a date within 90 days of the date of receipt for the (final) prospectus.*
- (3) *Include statements of income, retained earnings and cash flows for the period from the date of incorporation to the balance sheet referred to in Instruction 2 above. The choice of balance sheet date in Instruction 2 above does not necessarily determine the CPC's fiscal year end for the financial reporting purposes.*
- (4) *The financial statements referred to in Instructions 2 and 3, above, included in a preliminary prospectus may be accompanied by an unsigned auditor's report if the auditor provides a signed comfort letter in the form suggested by the Handbook with respect to the financial statements.*
- (5) *The financial statements referred to in Instructions 2 and 3 above included in the (final) prospectus must be audited.*

## **Item 27: Certificates**

**27.1 Certificate by CPC** - The prospectus must contain a certificate in the following form, signed by the chief executive officer, the chief financial officer, and, on behalf of the board of directors, by any two directors of the CPC, other than the foregoing, duly authorized to sign, and any person or company who is a promoter of the CPC:

"The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by securities legislation in [state each of the provinces state]] and the regulations thereunder."

### **INSTRUCTION:**

- (1) *In completing the certificate, reference should be made to the specific part under applicable securities legislation and not just a general reference to securities legislation.*
- (2) *Where the CPC has only three directors, one of whom is the chief executive officer and the chief financial officer, the certificate may be signed by all the directors of the issuer.*
- (3) *Where CDNX and each securities regulatory authority with which the prospectus has been filed are satisfied upon evidence or on submissions that either, or both of, the chief executive officer or chief financial officer of the CPC is for adequate cause not available to sign a certificate in a prospectus, the certificate may, with the consent of CDNX and such security regulatory authority(ies) be signed by any other responsible officer or officers of the CPC in lieu of either, or both of, the chief executive officer or chief financial officer.*

**27.2 Certificate of Agent** - The prospectus shall contain a certificate in the following form, signed by the agent or agents who, with respect to the securities offered by the prospectus, are in a contractual relationship with the CPC:

"To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of [state each of the provinces ] and the regulations thereunder."

INSTRUCTION:

(1) *In completing the certificate, reference should be made to the specific part under applicable securities legislation and not just a general reference to securities legislation.*

**27.3 Date of Certificate** - The date of the certificate in a preliminary prospectus, a prospectus or an amendment to a preliminary prospectus or prospectus shall be within three business days before the date of filing on SEDAR of the preliminary prospectus, prospectus or amendment, as applicable.

# APPENDIX 1

## To Form 3A – Form of CPC Prospectus

### Definitions

“**Affiliate**” means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“**Agreement in Principle**” means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- (a) identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- (b) identifies the parties to the Qualifying Transaction;
- (c) identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- (d) identifies the conditions to any further formal agreements to complete the transaction, and

in respect of which there are no material conditions to closing (other than receipt of shareholder approval and Exchange acceptance), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Non Arm’s Length Parties to the CPC or the Non Arm’s Length Parties to the Qualifying Transaction.

“**Associate**” when used to indicate a relationship with a person or company, means

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or company,
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including
  - (i) that person's spouse or child, or
  - (ii) any relative of the person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

**"CPC"** means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada,
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Final Exchange Bulletin has not yet been issued.

**"Company"** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

**"Completion of the Qualifying Transaction"** means the date of the shareholders' meeting at which the proposed Qualifying Transaction was approved by shareholders provided that:

- (a) all post-meeting documentation is subsequently filed with the Exchange; and
- (b) the Final Exchange Bulletin is issued by the Exchange.

**"Control Person"** means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

**"Eligible Charitable Organization"** means:

- (a) any Charitable Organization\* or Public Foundation\* which is a Registered Charity\*, but is not a Private Foundation\*, or

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\* These terms are defined in the Income Tax Act (Canada), as amended from time to time.



- (b) a Registered National Arts Service Organization\*.

“**Exchange or CDNX**” means the Canadian Venture Exchange Inc.

“**Final Exchange Bulletin**” means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all post-meeting documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

“**Insider**” if used in relation to an Issuer, means:

- (a) a director or senior officer of the Issuer;
- (b) a director or senior officer of the Company that is an Insider or subsidiary of the Issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the Issuer itself if it holds any of its own securities.

“**Majority of the Minority Approval**” means the approval of the Qualifying Transaction by the majority of the votes cast by shareholders, other than:

- (a) Non Arm’s Length Parties to the CPC;
- (b) Non Arm’s Length Parties to the Qualifying Transaction; and
- (c) in the case of a Related Party Transaction:
  - (i) if the CPC holds its own shares, the CPC, and
  - (ii) a Person acting jointly or in concert with a Person referred to in paragraph (a) or (b) in respect of the transaction

at a properly constituted meeting of the common shareholders of the CPC.

“**Non Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other insider or Control Person of that Company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, insider or Control Person.

“**Non Arm’s Length Parties to the Qualifying Transaction**” means the Vendor(s), any Target Company(ies) and includes, in relation to Significant Assets or Target Company(ies), the Non Arm’s Length Parties of the Vendor(s), the Non Arm’s Length Parties of any Target Company(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties.

“**Person**” means a Company or individual.

“**Principal**” means

- (a) a person or company who acted as a promoter of the issuer within two years before the initial public offering (“IPO”) prospectus or Exchange Bulletin confirming final acceptance of a transaction (“Final Exchange Bulletin”);

- (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
- (c) a **20% holder** – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the issuer’s IPO or immediately after the Final Exchange Bulletin for non IPO transactions;
- (d) a **10% holder** – a person or company that
  - (i) holds securities carrying more than 10% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the issuer’s IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder’s securities and the total securities outstanding.

A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals’ securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

A principal’s spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

**“Qualifying Transaction”** means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means.

**“Resulting Issuer”** means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin.

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the Exchange.

**“Sponsor”** has the meaning specified in CDNX Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

**“Target Company”** means a Company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction.

**“Vendors”** means one or all of the beneficial owners, of the Significant Assets (other than a Target Company).

**FORM 3A**  
**INFORMATION REQUIRED IN A CPC PROSPECTUS**  
**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Item 1: Cover Page Disclosure.....	2
1.1 Required Language.....	2
1.2 Preliminary Prospectus Disclosure.....	2
1.3 Basic Disclosure about the Distribution.....	2
1.4 Distribution.....	3
1.5 Market for Securities.....	4
1.6 Risk Factors.....	5
1.7 Maximum Investment.....	5
1.8 Receipt of Subscriptions.....	5
1.9 International Promoters.....	6
Item 2: Table of Contents.....	6
2.1 Table of Contents.....	6
Item 3: Glossary.....	6
3.1 Glossary.....	6
Item 4: Summary of Prospectus.....	6
4.1 Cautionary Language.....	6
4.2 General.....	6
Item 5: Corporate Structure.....	8
5.1 Name and Incorporation.....	8
Item 6: Business of the CPC.....	8
6.1 Preliminary Expenses.....	8
6.2 Proposed Operations until Completion of a Qualifying Transaction.....	8
6.3 Geographical Restrictions.....	9
6.4 Method of Financing.....	10
6.5 Criteria for a Qualifying Transaction.....	10
6.6 Shareholder Approval of the Qualifying Transaction.....	10
6.7 Potential Qualifying Transaction.....	11
6.8 Minimum Listing Requirements.....	12
6.9 Trading Halts, Suspension and Delisting.....	12
6.10 Refusal of Qualifying Transaction.....	13
Item 7: Use of Proceeds.....	13
7.1 Proceeds and Principal Purposes.....	13
7.2 Permitted Use of Proceeds.....	15
7.3 Restrictions on Use of Proceeds.....	15
7.4 Private Placements for Cash.....	16
7.5 Prohibited Payments to Non-Arm's Length Parties.....	17

Item 8: Plan of Distribution .....	17
8.1 Name of Agent(s) and Agent(s) Compensation .....	17
8.2 Best Efforts Offering and Minimum Distribution .....	19
8.3 Other Securities to be Distributed.....	19
8.4 Determination of Price.....	20
8.5 Listing Application .....	20
8.6 Conditional Listing Approval.....	20
8.7 Restrictions on the Agent.....	20
8.8 Restrictions on Trading.....	20
Item 9: Description of the Securities Distributed.....	20
9.1 Shares .....	20
Item 10: Capitalization.....	21
10.1 Capitalization.....	21
Item 11: Option to Purchase Securities.....	22
11.1 Options.....	22
11.2 Stock Option Terms .....	22
11.3 Options to Eligible Charitable Organizations.....	23
Item 12: Prior Sales .....	24
12.1 Prior Sales .....	24
Item 13: Escrowed Securities .....	24
13.1 Securities Escrowed Prior to the Completion of the Qualifying Transaction .....	24
13.2 Escrowed Securities on Qualifying Transaction.....	26
Item 14: Principal Shareholders .....	27
14.1 Principal Shareholders .....	27
Item 15: Directors, Officers and Promoters .....	28
15.1 Name, Address, Occupation, Security Holding and Involvement with Other Reporting Issuers.....	28
15.2 Other Reporting Issuer Experience.....	29
15.3 Corporate Cease Trade Orders or Bankruptcies.....	30
15.4 Penalties or Sanctions .....	30
15.5 Personal Bankruptcies.....	30
15.6 Conflicts of Interest.....	30
Item 16: Executive Compensation.....	31
16.1 Remuneration .....	31
Item 17: Dilution.....	32
17.1 Dilution.....	32
Item 18: Risk Factors .....	32
18.1 Risk Factors .....	32
18.2 Suggested Risk Factors.....	32
18.3 Required Language.....	33
Item 19: Legal Proceedings.....	34
19.1 Legal Proceedings.....	34
Item 20: Relationship Between CPC and Agent .....	34
20.1 Relationship Between CPC and Agent .....	34

Item 21: Relationship Between CPC and Professional Persons.....	34
21.1 Relationship Between CPC and Professional Persons.....	34
Item 22: Auditors, Transfer Agents and Registrars.....	34
22.1 Auditors.....	34
22.2 Transfer Agent and Registrar.....	34
Item 23: Material Contracts.....	35
23.1 Material Contracts.....	35
Item 24: Other Material Facts.....	35
24.1 Other Material Facts.....	35
Item 25: Purchasers' Statutory Rights of Withdrawal and Rescission.....	35
25.1 General.....	35
Item 26: Financial Statements.....	35
26.1 Financial Statements.....	35
Item 27: Certificates.....	36
27.1 Certificate by CPC.....	36
27.2 Certificate by Agent.....	37
27.3 Date of Certificate.....	37

APPENDIX 1