

VIA E-MAIL

January 20, 2014

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Office of the Yukon Superintendent of Securities
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

Attention: Larissa Streu, Senior Legal Counsel, Corporate Finance, British Columbia Securities Commission
Tracy Clark, Legal Counsel, Corporate Finance, Alberta Securities Commission

Dear Sirs/Mesdames:

Re: Multilateral CSA Notice 45-312 (the "Notice") Proposed Prospectus Exemption for Distributions to Existing Security Holders

We write in response to the request for comments on the proposed prospectus exemption (the "**Proposed Exemption**") set forth in the Notice.

We are a firm of corporate and securities lawyers. Many of our clients are listed on the TSX Venture Exchange ("**TSXV**") and the Toronto Stock Exchange ("**TSX**"). We write in support of the Proposed Exemption.

The questions set forth in the Notice are reproduced and addressed below:

1. If you are a TSXV issuer, will you use the proposed exemption?

N/A

2. Should the proposed exemption be available to issuers listed on other Canadian markets?

We believe the Proposed Exemption should also be made available to issuers listed on TSX. However, we believe issuers listed on the TSXV have a greater need for and will make greater use of the Proposed Exemption. As such, we think the Proposed Exemption should be implemented for TSXV-listed issuers as soon as possible, and any further consultation required in order to make the Proposed Exemption available to TSX-listed issuers should follow such implementation.

3. Investors will only be able to invest \$15,000 in a 12-month period unless they obtain advice from a registered investment dealer. Is \$15,000 the right investment limit?

Yes. We believe \$15,000 per investor per issuer in a 12-month period is a reasonable investment limit.

4. In what circumstances would it be suitable for an investor that is a retail security holder to invest more than \$15,000 in a TSXV issuer?

In the absence of having received suitability advice from a registrant, we believe it would be suitable for an investor who is an accredited investor to invest more than \$15,000 on a prospectus exempt basis. Given that there is an existing accredited investor exemption, we believe that \$15,000 is a reasonable limit for the Proposed Exemption.

5. Do you agree that there should be no investment limit if an investor receives suitability advice from a registered investment dealer?

Yes.

6. Do you agree that being a current security holder of an issuer enables an investor to make a more informed investment decision in that issuer?

Yes. While all investors have access to all material information about an issuer at any given time, via SEDAR and the issuer's website, we believe that in general a person will be more informed about issuers whose securities they hold than those whose securities they don't hold. The entitlement to receive financial statements, MD&A and information circulars is a relevant factor in enabling investors to make a more informed investment decision in issuers whose securities they hold.

7. What is the appropriate record date for the exemption? Should it be one day before the announcement of the offering or should it be a more extended period? If you think it should be a more extended period, what would be the appropriate period of time?

We believe a record date of one calendar day before the announcement of the offering is an appropriate period of time.

We believe having a record date of a longer period prior to the offering would only be appropriate if the subscription limit were set in relation to the number or value of securities held by the investor, rather than a fixed amount as proposed. For example, if the exemption provided that the investor could only purchase the number of securities that s/he held prior to the announcement of the offering, it would make sense to impose a "cooling off" period, such as ten days prior to the announcement of the offering during which the investor would

have to hold the securities. Having such a requirement would reduce the incentive for promoters to pressure investors to make a significant investment without adequate time to consider its merits, if making such an investment allowed them the ability to invest (potentially at a discount to the market price) under the offering.

Given that the Proposed Exemption does not set a "floor" on the number or value of securities required to be held by an investor, we see no rationale for having a record date set at more than one day before the announcement of the offering.

8. We are currently proposing that the exemption be subject to the same resale restrictions as most other capital raising exemptions (i.e., a four month restricted period). However, there are some similarities between the proposed exemption and the rights offering exemption, which is only subject to a seasoning period.

- a. Do you agree that a four month hold period is appropriate for this exemption?

Yes. An issuer who wants to issue freely-tradable securities to their existing securityholders can do so by way of rights offering, which of course offers protections to investors not available under the Proposed Exemption.

- b. Should we require issuers to provide additional continuous disclosure, such as an annual information form?

No.

- c. If we were to consider a seasoning period for this exemption, should we consider some of the restrictions that apply under a prospectus-exempt rights offering, such as "claw-backs" limiting insider participation?

We believe a hold period is the appropriate restriction.

In the event that the exemption was made subject to a seasoning period instead of a hold period, we believe that additional restrictions would be required. However, we believe the relative simplicity of the Proposed Exemption is one of its attractive features. If the exemption provides for a seasoning period with additional restrictions than those in the Proposed Exemption, it should include an option to avoid the additional restrictions by issuing securities subject to a hold period.

- d. If securities offered under the exemption were only subject to a seasoning period, would there be a greater need to ensure investors are made aware of and have an opportunity to participate in the offering?

Yes.

9. We have not proposed any conditions regarding the structure of the financing, i.e., minimum or maximum price, maximum dilution, or period in which an offering must be completed. We contemplate that the proposed financing would be conducted under the standard private placement rules of the TSXV which, among other things, allow pricing at a discount to market price. Is this appropriate or are there structural requirements that we should make a condition of the exemption?

We believe the proposed approach is appropriate.

Please feel free to contact the undersigned if you have any questions regarding the foregoing, all of which is respectfully submitted.

Yours truly,

DuMOULIN BLACK LLP

Per: (Signed) "*Daniel G. McElroy*"

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