

REGULATION TO AMEND REGULATION 45-106 RESPECTING PROSPECTUS AND REGISTRATION EXEMPTIONS

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (3), (5), (8), (11), (14), (32.1) and (34))

1. Section 2.1 of Regulation 45-106 respecting Prospectus and Registration Exemptions is repealed.
2. The Regulation is amended by inserting, after section 2.1, the following:

“2.1.1. Rights offering – reporting issuer

Refer to Appendix E of Regulation 45-102 respecting Resale of Securities (chapter V-1.1, r. 20). First trades are subject to a seasoning period on resale. This text box does not form part of this Regulation and has no official status.

- (1) In this section:

“additional subscription privilege” means a privilege, granted to a holder of a right, to subscribe for a security not subscribed for by any holder under a basic subscription privilege;

“basic subscription privilege” means the privilege to subscribe for the number of securities set out in a rights certificate held by a holder of the rights certificate;

“circular” means a completed Form 45-106F15;

“closing date” means the date of completion of the distribution of the securities issued on exercise of rights issued under this section;

“managing dealer” means a dealer that has entered into an agreement with an issuer under which the dealer has agreed to organize and participate in the solicitation of the exercise of rights issued by the issuer;

“marketplace” has the same meaning as in section 1.1 of Regulation 21-101 respecting Marketplace Operation (chapter V-1.1, r. 5);

“market price” means, for securities of a class for which there is a published market,

- (a) except as provided in paragraph (b)

(i) if the published market provides a closing price, the simple average of the closing price of securities of that class on the published market for each of the trading days on which there was a closing price falling not more than 20 trading days immediately before the day as of which the market price is being determined; or

(ii) if the published market does not provide a closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the simple averages of the highest and lowest prices of securities of the class on the published market for each of the trading days on which there were highest and lowest prices falling not more than 20 trading days immediately before the day as of which the market price is being determined; or

(b) if trading of securities of the class in the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the following amounts established for each of the 20 trading days immediately before the day as of which the market price is being determined:

(i) the average of the closing bid and closing ask prices for each day on which there was no trading;

(ii) if the published market

(A) provides a closing price of securities of the class for each day that there has been trading, the closing price; or

(B) provides only the highest and lowest prices, the average of the highest and lowest prices of securities of that class for each day that there has been trading;

“notice” means a completed Form 45-106F14;

“published market” means, for a class of securities, a marketplace on which the securities are traded, if the prices at which they have been traded on that marketplace are regularly

(a) disseminated electronically; or

(b) published in a newspaper or business or financial publication of general and regular paid circulation;

“soliciting dealer” means a person whose interest in a rights offering is limited to soliciting the exercise of rights by holders of those rights;

“stand-by commitment” means an agreement between an issuer and the stand-by guarantor who agrees to acquire the securities of the issuer not subscribed for under the basic subscription privilege or the additional subscription privilege;

“stand-by guarantor” means a person who provides a stand-by commitment.

(2) For the purpose of the definition of “market price”, if there is more than one published market for a security, and if

(a) only one of the published markets is in Canada, the market price is determined solely by reference to that market;

(b) more than one of the published markets is in Canada, the market price is determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined; and

(c) none of the published markets is in Canada, the market price is determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined.

(3) The prospectus requirement does not apply to a distribution by an issuer of a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer if all of the following apply

(a) the issuer is a reporting issuer in at least one jurisdiction of Canada;

(b) if the issuer is a reporting issuer in the local jurisdiction, the issuer has filed all periodic and timely disclosure documents that it is required to have filed in that jurisdiction as required by each of the following:

(i) applicable securities legislation;

(ii) an order issued by the regulator or securities regulatory authority;

(iii) an undertaking to the regulator or securities regulatory authority;

(c) before the commencement of the exercise period for the rights, the issuer files and sends the notice to all security holders of the class of securities to be issued on exercise of the rights;

(d) concurrently with filing the notice, the issuer files the circular;

(e) the issuer makes the basic subscription privilege available on a pro rata basis to each security holder of the class of securities to be distributed on the exercise of the rights;

(f) in Québec, the documents that are required to be filed under paragraphs (c) and (d) must be prepared in French or in French and English.

(4) The issuer must set the subscription price for a security to be issued on exercise of a right granted under subsection (3) lower than

(a) the market price of the security on the date of filing the notice, if there is a published market for the security; or

(b) the fair value of the security on the date of filing the notice, if there is no published market for the security.

(5) Paragraph (4)(b) does not apply if all insiders of the issuer are prohibited from increasing their proportionate interest in the issuer through the exercise of rights under the offering or through a stand-by commitment.

(6) An issuer must not grant an additional subscription privilege to a holder of a right unless all of the following apply

(a) the issuer grants the additional subscription privilege to all holders of rights;

(b) each holder of a right would be entitled to receive, on exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of

(i) the number or amount of securities subscribed for by the holder under the additional subscription privilege; and

(ii) $x(y/z)$ where

x = the aggregate number or amount of securities available through unexercised rights;

y = the number of rights previously exercised by the holder under the rights offering; and

z = the aggregate number of rights previously exercised under the rights offering by holders of rights that have subscribed for securities under the additional subscription privilege;

(c) any unexercised rights are allocated on a pro rata basis to holders who subscribed for additional securities based on the additional subscription privilege up to the number of securities subscribed for by a particular holder; and

(d) the subscription price of the additional subscription privilege is the same as the subscription price for the basic subscription privilege.

(7) If there is a stand-by commitment,

(a) the issuer must grant an additional subscription privilege to all holders of rights;

(b) the issuer must include a statement in the circular that the issuer has confirmed that the stand-by guarantor has the financial ability to carry through on their stand-by commitment; and

(c) the subscription price under the stand-by commitment must be the same as the subscription price under the basic subscription privilege.

(8) If an issuer has stated in the circular that no security will be issued on the exercise of a right unless a stand-by commitment is provided or unless proceeds no less than the stated minimum amount are received by the issuer, all of the following apply:

(a) the issuer must appoint a depository to hold all money received on the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received;

(b) a depository under paragraph (a) must be

(i) a Canadian financial institution; or

(ii) a registrant in the jurisdiction in which the funds are proposed to be held who is acting as managing dealer for the rights offering, or, if there is no managing dealer, who is acting as a soliciting dealer;

(c) the issuer and the depository must enter into an agreement, the terms of which require the depository to return the money in full to the holders of rights that have subscribed for securities under the distribution if either the stand-by commitment is not provided, or the stated minimum amount is not received by the depository during the exercise period for the rights.

(9) The agreement between the depository and the issuer under which the depository is appointed must provide that, if either the stand-by commitment is not provided or the stated minimum amount is not received by the depository during the exercise period for the rights, the money held by the depository will be returned in full to the holders of rights that have subscribed for securities under the distribution.

(10) A circular filed under this section must contain a certificate that states the following:

“This rights offering circular does not contain a misrepresentation”.

(11) If the issuer is a company, a certificate under subsection (10) must be signed

(a) by the issuer’s chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, an individual acting in that capacity; and

(b) on behalf of the directors of the issuer, by

(i) any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a); or

(ii) all the directors of the issuer.

(12) If an issuer is not a company, a certificate under subsection (10) must be signed by the persons that, in relation to the issuer, are in a similar position or perform a similar function to the persons referred to in subsection (11).

(13) A certificate under subsection (10) must be true on

(a) the date the certificate is signed; and

(b) the closing date.

(14) An issuer must not file an amendment to a circular filed under paragraph (3)(d) unless

(a) the amendment amends and restates the circular;

(b) the issuer files the amended circular before the earlier of

and

(i) the listing date of the rights, if the issuer lists the rights for trading;

(ii) the date the exercise period for the rights commences; and

(c) the issuer issues and files a news release explaining the reason for the amendment concurrently with the filing of the amended circular.

(15) The issuer must file a news release containing the information required by subsection (16) on the closing date or as soon as practicable following the closing date.

(16) The closing news release must include:

(a) the aggregate gross proceeds of the distribution;

(b) the amount of securities distributed under the basic subscription privilege to

(i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group; and

(ii) all other persons, as a group;

(c) the amount of securities distributed under the additional subscription privilege to

(i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group; and

(ii) all other persons, as a group;

(d) the amount of securities distributed under any stand-by commitment;

(e) the amount of securities of the class issued and outstanding as at the closing date;

(f) the amount of any fees or commissions paid in connection with the distribution.

(17) Subsection (3) does not apply to a distribution

(a) if there would be an increase of more than 100 percent in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of rights, assuming the exercise of all rights issued under this exemption by the issuer during the 12 months immediately before the date of the circular;

(b) if the exercise period for the rights is less than 21 days or more than 90 days after the day the notice is sent to security holders;

(c) if the issuer has entered into an agreement to compensate a person for soliciting the exercise of rights issued under the rights offering that provides for the payment of a fee for soliciting the exercise of rights by holders of rights that were not security holders of the issuer immediately before the rights offering and that fee is higher than the fee payable for soliciting the exercise of rights by holders of rights that were security holders at that time;

(d) to a stand-by guarantor, if one of the following applies:

(i) the stand-by guarantor did not hold a security of the issuer on the date the issuer files the notice;

(ii) the stand-by guarantor is a registered dealer.

“2.1.2. Rights offering – stand-by commitment

Refer to Appendix D of Regulation 45-102 respecting Resale of Securities (chapter V-1.1, r. 20). First trades are subject to a restricted period on resale. This text box does not form part of this Regulation and has no official status.

The prospectus requirement does not apply to the distribution of a security by an issuer to a stand-by guarantor as part of a distribution under section 2.1.1 if the stand-by guarantor acquires the security as principal.

“2.1.3. Rights offering – issuer with a minimal connection to Canada

Refer to Appendix E of Regulation 45-102 respecting Resale of Securities (chapter V-1.1, r. 20). First trades are subject to a seasoning period on resale. This text box does not form part of this Regulation and has no official status.

The prospectus requirement does not apply to a distribution by an issuer of a right granted by the issuer to purchase a security of its own issue to a security holder of the issuer if

(a) to the knowledge of the issuer after reasonable enquiry;

(i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10 percent or more of all holders of that class;

(ii) the number of securities of the issuer of the class for which the rights are issued that are beneficially held by securityholders resident in Canada does not constitute, in the aggregate, 10 percent or more of the outstanding securities of that class;

(iii) the number of beneficial holders of the class for which the rights are issued that are resident in the local jurisdiction does not constitute five percent or more of all holders of that class;

(iv) the number of securities of the issuer of the class for which the rights are issued that are beneficially held by securityholders resident in the local jurisdiction does not constitute, in the aggregate, five percent or more of the outstanding securities of that class;

(b) all materials sent to any other security holders for the rights offering are concurrently delivered to the regulator or, in Québec, the securities regulatory authority and sent to each securityholder of the issuer resident in the local jurisdiction;

(c) the issuer delivers to the regulator or, in Québec, the securities regulatory authority a written notice that it is relying on this exemption and a certificate of an officer or director of the issuer, or if the issuer is a limited partnership, an officer or director of the general partner of the issuer, or if the issuer is a trust, a trustee or officer or director of a trustee of the issuer, that to the knowledge of the person signing the certificate, after reasonable inquiry that

(i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10 percent or more of all holders of that class;

(ii) the number of securities of the issuer of the class for which the rights are issued that are beneficially held by securityholders resident in Canada does not constitute, in the aggregate, 10 percent or more of the outstanding securities of that class;

(iii) the number of beneficial holders of the class for which the rights are issued that are resident in the local jurisdiction does not constitute five percent or more of all holders of that class;

(iv) the number of securities of the issuer of the class for which the rights are issued that are beneficially held by securityholders resident in the local jurisdiction does not constitute, in the aggregate, five percent or more of the outstanding securities of that class.

“2.1.4. Rights offering – Listing representation exemption

(1) In this section:

“listing representation” means a representation that a security will be listed or quoted, or that application has been or will be made to list or quote the security, either on an exchange, or on a quotation and trade reporting system, in a foreign jurisdiction;

“listing representation prohibition” means the prohibition in the securities legislation set out in Appendix C.

(2) The listing representation prohibition does not apply to a listing representation made in a rights offering circular for a distribution of rights conducted under section 2.1.3 if the listing representation is not a misrepresentation.

“2.1.5. Rights offering – Civil liability for secondary market disclosure

(1) In this section:

“secondary market liability provisions” means the provisions in the securities legislation set out in Appendix D.

(2) The secondary market liability provisions apply to

(a) the acquisition of an issuer’s security pursuant to the exemption from the prospectus requirement set out in section 2.1.1; and

(b) the acquisition of an issuer’s security pursuant to the exemption from the prospectus requirement set out in section 2.42 if the security previously issued by the issuer was acquired pursuant to the exemption that is set out in section 2.1.1.”

3. The Regulation is amended by adding, after Appendix B, the following:

“APPENDIX C LISTING REPRESENTATION PROHIBITIONS

Alberta:	Subsection 92(3) of the Securities Act
Manitoba:	Subsection 69(3) of the Securities Act
New Brunswick:	Subsection 58(3) of the Securities Act
Newfoundland and Labrador:	Subsection 39(3) of the Securities Act
Northwest Territories:	Subsection 147(1) Securities Act
Nova Scotia:	Subsection 44(3) of the Securities Act
Nunavut:	Subsection 147(1) of the Securities Act
Ontario:	Subsection 38(3) of the Securities Act
Prince Edward Island:	Subsection 147(1) of the Securities Act
Québec:	Subsection 199(4) of the Securities Act
Saskatchewan:	Subsection 44(3) of the Securities Act
Yukon:	Subsection 147(1) of the Securities Act

“APPENDIX D SECOND MARKET LIABILITY PROVISIONS

Alberta:	Part 17.01 of the Securities Act
British Columbia:	Part 16.1 of the Securities Act
Manitoba:	Part XVIII of the Securities Act
New Brunswick:	Part 11.1 of the Securities Act

Newfoundland and Labrador:	Part XXII.1 of the Securities Act
Northwest Territories:	Part 14 of the Securities Act
Nova Scotia:	Sections 146A to 146N of the Securities Act
Nunavut:	Part 14 of the Securities Act
Ontario:	Part XXIII.1 of the Securities Act
Prince Edward Island:	Part 14 of the Securities Act
Québec:	Division II of Chapter II of Title VIII of the Securities Act
Saskatchewan:	Part XVIII.1 of the Securities Act
Yukon:	Part 14 of the Securities Act.”.

4. The Regulation is amended by adding, after Form 45-106F9, the following:

“FORM 45-106F14 RIGHTS OFFERING NOTICE FOR REPORTING ISSUERS

This is the form of notice you must use for a distribution of rights under section 2.1.1 of Regulation 45-106 respecting Prospectus and Registration Exemptions (chapter V-1.1, r. 21).

PART 1 GENERAL INSTRUCTIONS

Deliver this notice to each security holder eligible to receive rights under the rights offering. Using plain language, prepare the notice using a question-and-answer format.

Guidance

We do not expect the notice to be greater than 2 pages in length.

PART 2 THE NOTICE

1. Basic information

State the following with the bracketed information completed:

“[Name of issuer]
Notice to security holders – [Date]”

If you have less than 12 months of working capital and are aware of material uncertainties that may cast significant doubt upon your ability to continue as a going concern, include the following language in bold type immediately below the date of the notice:

“We currently have sufficient working capital to last [insert the number of months of working capital as at the date of the circular] months. We require [insert the percentage of the rights offering required to be taken up]% of the offering to last 12 months.”

2. Who can participate in the rights offering?

State the record date and identify which class of securities is subject to the offering.

3. Who is eligible to receive rights?

Provide information about the jurisdictions in which the issuer is offering rights. Explain how a security holder in an ineligible jurisdiction can acquire the rights and securities issuable upon exercise of rights.

4. How many rights are we offering?

State the total number of rights offered.

5. How many rights will you receive?

State the number of rights each eligible security holder will receive for every security held as of the record date.

6. What does one right entitle you to receive?

Provide the number of rights required to acquire a security upon exercise of the rights. Also state the subscription price.

7. If you are an eligible security holder, how will you receive your rights?

Include a rights certificate with the rights offering notice if the notice is being delivered to a registered security holder, and direct the security holder's attention to this certificate. If you are delivering this notice to an ineligible security holder, provide instructions on how the ineligible security holder can receive their rights certificate.

8. When and how can you exercise your rights?

State when the exercise period ends for eligible security holders who have their rights certificate. Also, provide instructions on how to exercise rights to security holders whose securities are held in a brokerage account.

9. What are the next steps?

Direct the security holder to the SEDAR address to find your rights offering circular. State that the security holder should read the circular, along with the issuer's continuous disclosure record, to make an informed decision.

10. Signature

Sign the notice. State the name and title of the person signing this notice.

« **FORM 45-106F15** **RIGHTS OFFERING CIRCULAR FOR REPORTING ISSUERS**

PART 1 INSTRUCTIONS

1. Overview of the rights offering circular

This is the form of circular you must use for a distribution of rights under section 2.1.1. of Regulation 45-106 respecting Prospectus and Registration Exemptions (chapter V-1.1, r. 21). The objective of the circular is to provide information about the rights offering and details on how an existing security holder can exercise rights.

Prepare the rights offering circular using a question-and-answer format.

Guidance

We do not expect the circular to be greater than 10 pages.

2. Incorporating information by reference

You must not incorporate information into the circular by reference.

3. Plain language

Use plain, easy to understand language in preparing the circular. Avoid technical terms but, if they are necessary, explain them in a clear and concise manner.

4. Format

Except as otherwise stated, use the questions presented in this form as headings in the circular. To make the circular easier to understand, present information in tables and, where possible, state amounts in figures.

5. Omitting information

Unless this form indicates otherwise, you are not required to respond to an item in this form if it does not apply.

6. Date of information

Unless this form indicates otherwise, present the information in this form as at the date of the circular.

7. Forward-looking information

If you disclose forward-looking information in the circular, you must comply with Part 4A.3 of Regulation 51-102 respecting Continuous Disclosure Obligations (chapter V-1.1, r. 24).

PART 2 SUMMARY OF OFFERING

8. Required statement

State in italics at the top of the cover page the following:

“This rights offering circular is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this circular. Any representation to the contrary is an offence.

This is the circular we referred to in the [insert date of rights offering notice] rights offering notice, which you should have received by mail. Your rights certificates and relevant forms were enclosed with the notice. This circular should be read in conjunction with the notice and our continuous disclosure prior to making an investment decision.”

9. Basic disclosure about the distribution

Immediately below the statement required above, state the following with the bracketed information completed:

“Rights offering circular [Date]
[Name of Issuer]”

If you have less than 12 months of working capital and are aware of material uncertainties that may cast significant doubt upon your ability to continue as a going concern, include the following language in bold immediately below the name of the issuer:

“We currently have sufficient working capital to last [insert the number of months of working capital as at the date of the circular] months. We require [insert the percentage of the rights offering required to be taken up]% of the offering to last 12 months.”

10. Purpose of circular

State the following in bold:

“Why are you reading this circular?”

Explain the purpose of the circular. State that the circular provides details about the rights offering and refer to the notice that you sent to security holders.

11. Securities offered

State the following in bold:

“What is being offered?”

Provide the number of rights you are offering to each security holder under the offering. If your outstanding share capital includes more than one class or type of security, ensure you identify which security holders are eligible to receive rights. Include the record date the issuer will use to determine which security holders are eligible to receive rights.

12. Right entitlement

State the following in bold:

“What does a right entitle you to receive?”

Explain what one right will entitle the security holder to receive.

13. Subscription price

State the following in bold:

“What is the subscription price?”

Provide the price a security holder must pay to exercise a right. If there is no published market for the securities, either explain how you determined the fair value of the securities or explain that no insider will be able to increase their proportionate interest through the rights offering.

Guidance

Refer to subsection 2.1.1(4) of Regulation 45-106 respecting Prospectus and Registration Exemptions which provides that the subscription price must be lower than the market price if there is a published market for the securities. If there is no published market, either the subscription price must be lower than the fair value of the securities or insiders are not permitted to increase their proportionate interest in the issuer through the rights offering.

14. Expiry of offer

State the following in bold:

“When does the offer expire?”

Provide the date and time when the offer expires.

Guidance

Refer to paragraph 2.1.1(17)(b) of Regulation 45-106 respecting Prospectus and Registration Exemptions which provides that the rights offering exemption is not available where the exercise period for the rights is less than 21 days or more than 90 days after the day the notice is sent to security holders.

15. Outstanding securities

State the following in bold:

“How many of our [insert class of securities issuable on exercise of rights] are currently outstanding?”

Provide the number of outstanding securities of the class of securities issuable on exercise of the rights, as at the date of the circular.

16. Securities issuable under the offering

State the following in bold:

“What are the minimum and maximum number of [insert type of security issuable on exercise of rights] that may be issued under the offering?”

Provide the minimum, if any, and maximum number of securities that may be issuable on exercise of the rights.

17. Listing of Securities

State the following in bold:

“Where will the rights and securities issuable upon exercise of rights be listed for trading?”

Identify the exchange(s) and quotation system(s), if any, on which the rights and underlying securities are traded or quoted. If no market exists, or is expected to exist, state the following in boldface type:

“There is no market through which these [rights and/or underlying securities] may be sold.”

PART 3 USE OF FUNDS AVAILABLE

18. Funds available

State the following in bold:

“What will our funds available be after the offering?”

Using the following table, disclose the funds available after the offering. If you plan to combine additional sources of funding with the offering proceeds to achieve your principal capital-raising purpose, provide details about each additional source of funding.

If there is no minimum offering or stand-by commitment, or if the minimum offering or stand-by commitment represents less than 75% of the offering, include threshold disclosure if only 15%, 50% or 75% of the entire offering is taken up.

Disclose the amount of working capital deficiency, if any, of the issuer as at the most recent month end. If the funds available will not eliminate the working capital deficiency, state how you intend to eliminate or manage the deficiency. If there has been a significant change in the working capital since the most recently audited annual financial statements, explain those changes.

Guidance

We would consider a significant change to include a change in the working capital that results in material uncertainty regarding the issuer’s going concern assumption, or a change in the working capital balance from positive to deficiency or vice versa.

		Assuming minimum offering or stand-by commitment only	Assuming 15% of offering	Assuming 50% of offering	Assuming 75% of offering	Assuming 100% of offering
A	Amount to be raised by this offering	\$	\$	\$	\$	\$
B	Selling commissions and fees	\$	\$	\$	\$	\$
C	Estimated offering costs (e.g., legal, accounting, audit)	\$	\$	\$	\$	\$
D	Available funds: $D = A - (B+C)$	\$	\$	\$	\$	\$
E.	Additional sources of funding required	\$	\$	\$	\$	\$
F.	Working capital deficiency	\$	\$	\$	\$	\$
G.	Total: $G = (D+E) - F$	\$	\$	\$	\$	\$

19. Use of funds available

State the following in bold:

“How will we use the funds available?”

Using the following table, provide a detailed breakdown of how you will use the funds. Describe in reasonable detail each of the principal purposes, with approximate amounts.

Description of intended use of funds available listed in order of priority.	Assuming minimum offering or stand-by commitment only	Assuming 15% of offering	Assuming 50% of offering	Assuming 75% of offering	Assuming 100% of offering
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total: Equal to G in the funds available table above	\$	\$	\$	\$	\$

If there is no minimum offering or stand-by commitment, or if the minimum offering or stand-by commitment represents less than 75% of the offering, include threshold disclosure if only 15%, 50% or 75% of the entire offering is taken up.

Instructions:

1. *If the issuer has significant short-term liquidity requirements, discuss, for each threshold amount (i.e., 15%, 50% and 75%), the impact, if any, of raising that amount on its liquidity, operations, capital resources and solvency. Short-term liquidity requirements include non-discretionary expenditures for general corporate purposes and overhead expenses, significant short-term capital or contractual commitments, and expenditures required to achieve stated business objectives.*

When discussing the impact of raising each threshold amount on your liquidity, operations, capital resources and solvency, include all of the following in the discussion:

- which expenditures will take priority at each threshold, and what effect this allocation has on your operations and business objectives and milestones;*
- the risks of defaulting on payments as they become due, and what effect the defaults would have on your operations;*
- an analysis of your ability to generate sufficient amounts of cash and cash equivalents from other sources, the circumstances that could affect those sources and management's assumptions in conducting this analysis.*

State the minimum amount required to meet the short-term liquidity requirements. In the event that the funds available could be less than the amount required to meet the short-term requirements, describe how management plans to discharge its liabilities as they become due. Include the assumptions management used in its plans.

If the funds available could be insufficient to cover the issuer's short-term liquidity requirements and overhead expenses for the next 12 months, include management's assessment of the issuer's ability to continue as a going concern. If there are material uncertainties that cast significant doubt upon the issuer's ability to continue as a going concern, state this fact in boldface type.

2. *If you will use more than 10% of funds available to reduce or retire indebtedness and the indebtedness was incurred within the two preceding years, describe the principal purposes for which the indebtedness was used. If the creditor is an insider, associate or affiliate of the issuer, identify the creditor and the nature of the relationship to the issuer and disclose the outstanding amount owed.*

3. *If you will use more than 10% of funds available to acquire assets, describe the assets. If known, disclose the particulars of the purchase price being paid for or being allocated to the assets or categories of assets, including intangible assets. If the vendor of the asset is an insider, associate or affiliate of the issuer, identify the vendor and nature of the relationship to the issuer, and disclose the method used in determining the purchase price.*

4. *If any of the funds available will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the use of funds available table the name of the insider, associate or affiliate, the relationship to the issuer, and the amount.*

5. *If you will use more than 10% of funds available for research and development of products or services,*

a. describe the timing and stage of research and development that management anticipates will be reached using the funds,

b. describe the major components of the proposed programs you will use the funds available for, including an estimate of anticipated costs,

c. state if you are conducting your own research and development, are subcontracting out the research and development or are using a combination of those methods, and

d. describe the additional steps required to reach commercial production and an estimate of costs and timing.

6. If you may re-allocate funds available, include the following statement:

“We intend to spend the funds available as stated. We will reallocate funds only for sound business reasons.”

20. How long will funds available last?

State the following in bold:

“How long will the funds available last?”

Explain how long management anticipates funds available will last. If you do not have adequate funds to cover anticipated expenses for the next 12 months, state the sources of financing that the issuer has arranged but not yet used. Also, provide an analysis of your ability to generate sufficient amounts of cash and cash equivalents in the short term and the long term to maintain capacity, and to meet planned growth or to fund development activities. You should describe sources of funding and circumstances that could affect those sources that are reasonably likely to occur. If this results in material uncertainties that cast significant doubt upon the issuer’s ability to continue as a going concern, disclose this fact.

If you expect funds available to last for greater than 12 months, state this fact.

PART 4 INSIDER PARTICIPATION

21. Intention of insiders

State the following in bold:

“Will insiders be participating?”

Provide the answer. If yes, provide details of insiders’ intentions to exercise their rights.

22. Holders of at least 10% before and after the offering

State the following in bold:

“Who are the 10% holders before and after the offering?”

Provide this information in the following tabular form:

Name	Holdings before the offering	Holdings after the offering
[Name of security holder]	[State the number of securities held and the percentage of security holdings this represents]	[State the number of securities held and the percentage of security holdings this represents]

PART 5 DILUTION

23. Dilution

State the following in bold:

“If you do not exercise your rights, how much will your security holdings be diluted?”

Provide a percentage in the circular and state the assumptions used, as appropriate.

PART 6 STAND-BY COMMITMENT

24. Stand-by guarantor

State the following in bold:

“Who is the stand-by guarantor and what are the fees?”

Describe the stand-by commitment and the material terms of the basis on which the stand-by guarantor may terminate the obligation under the stand-by commitment.

25. Financial ability of the stand-by guarantor

State the following in bold:

“Have we confirmed that the stand-by guarantor has the financial ability to carry through on its stand-by commitment?”

If the offering has a stand-by commitment, state that you have confirmed that the stand-by guarantor(s) has the financial ability to carry through on its stand-by commitment.

PART 7 MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS

26. The managing dealer, soliciting dealer, and their fees

State the following in bold:

“Who is the [managing dealer/soliciting dealer] and what are their fees?”

Identify the managing dealer, if any, and the soliciting dealers, if any, and describe the commissions or fees payable to them.

27. Managing dealer/soliciting dealer conflicts

State the following in bold:

“Does the [managing dealer/soliciting dealer] have a conflict of interest?”

If disclosure is required by Regulation 33-105 respecting Underwriting Conflicts (chapter V-1.1, r. 11), include that disclosure.

PART 8 HOW TO EXERCISE THE RIGHTS

28. Security holders who are registered holders

State the following in bold:

“How does a security holder that is a registered holder participate in the offering?”

Explain how a registered holder can participate in the rights offering.

29. Security holders who are not registered holders

State the following in bold:

“How does a security holder that is not a registered holder participate in the offering?”

Explain how a security holder who is not a registered holder can participate in the rights offering.

30. Eligibility to participate

State the following in bold:

“Who is eligible to participate in the offering?”

Explain which security holders are eligible to participate in the offering. Disclose the jurisdictions in which you are making the rights offering.

31. Non-eligible security holder

State the following in bold:

“What if a security holder is not eligible to participate in the offering?”

Explain how a security holder who does not reside in an eligible jurisdiction can participate in the offering.

32. Transfer of rights

State the following in bold:

“How does a right holder sell or transfer rights?”

Explain how a holder of rights can sell or transfer rights. If the rights will be listed on an exchange, provide further details related to the trading of the rights on the exchange.

33. Additional subscription privilege

State the following in bold:

“What is the additional subscription privilege and how can you exercise this privilege?”

Describe the additional subscription privilege and explain how a holder of rights who has exercised the basic subscription privilege can exercise the additional subscription privilege.

34. Trading of underlying securities

State the following in bold:

“When can you trade securities issuable upon exercise of your rights?”

Say when a security holder can trade the securities issuable upon exercise of the rights.

35. Fractional rights

State the following in bold:

“Will we issue fractional rights?”

Respond yes or no and explain (if necessary).

PART 9 APPOINTMENT OF DEPOSITORY

36. Depository

State the following in bold:

“Who is the depository?”

If the rights offering is subject to a minimum offering amount, or if there is a stand-by commitment, state the name of the depository you appointed to hold all money received on exercise of the rights until the minimum offering amount or stand-by commitment is received or until the money is returned.

37. Release of funds from depository

State the following in bold:

“What happens if we do not raise the [minimum offering amount] or if we do not receive funds from the stand-by guarantor?”

If the offering is subject to a minimum offering amount, or if there is a stand-by commitment, state that you have entered into an agreement with the depository where the depository will return the money held by it to holders of rights that have already subscribed for securities under the offering, if you do not raise the minimum offering amount or receive funds from the stand-by guarantor.

PART 10 FOREIGN ISSUERS

38. Foreign issuers

State the following in bold:

“How can you enforce a judgment against us?”

If the issuer is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, state the following:

“The [issuer] is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides out of Canada. It may not be possible for investors to enforce judgments obtained in Canada against any person that is incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada.”

PART 11 STATEMENT AS TO RESALE RESTRICTIONS

39. Resale restrictions

State the following in bold:

“Are there restrictions on the resale of securities?”

If the issuer is offering rights in one or more jurisdictions where there are restrictions on the resale of securities, include a statement disclosing when those rights and underlying securities will become freely tradable and that until then, such securities may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

PART 12 ADDITIONAL INFORMATION

40. Additional information

State the following in bold:

“Where can you find more information about us?”

Provide the SEDAR website address and state that a security holder can access the issuer’s continuous disclosure from that site. If applicable, provide the issuer’s website address.

PART 13 CERTIFICATE

41. Date and certificate

Provide the following statement at the end of the circular:

“Dated: [insert the date the circular is signed]

This rights offering circular does not contain a misrepresentation.”

42. Signing of certificate

Sign the certificate in accordance with subsection 2.1.1(10) of Regulation 45-106 respecting Prospectus and Registration Exemptions.”.

5. This Regulation comes into force on •.