POLICY 1

INTERPRETATION AND GENERAL PROVISIONS

1. Philosophy

1.1 CSE believes that the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices are: (a) high quality, timely and continuous disclosure by issuers, (b) trading rules designed to ensure integrity and a fair and orderly market, and (c) comprehensive and independent market regulation to administer and enforce the trading rules and timely and continuous disclosure requirements.

1.2 CSE believes recent advances in technology such as SEDAR and the Internet which facilitate instant, widespread and economical dissemination of information permit CSE to require and Listed Issuers to provide an enhanced standard of disclosure to secondary market investors, irrespective of an Issuer's size.

1.3 Fundamental to CSE is the establishment by Listed Issuers of a comprehensive, publicly-available disclosure base, providing enhanced quality and timeliness of information. The Exchange's Issuer disclosure obligations aim to ensure that investors may trade informed by current full, true and plain disclosure concerning Listed Issuers.

1.4 Issuer disclosure commences with the Listing Statement, an Issuer prepared document intended to provide prospectus level disclosure (other than certain financial disclosure and interim Management's Discussion and Analysis). The Listing Statement is accompanied by the Listing Summary which provides a high-level summary of the Listing Statement. The Listing Statement must be supplemented and updated annually. A Listed Issuer must prepare, certify and post a Quarterly Listing Statement including quarterly financial statements, management's discussion and analysis and updating any changes to the Listing Statement and a Monthly Progress Report, reporting activity (or lack of activity) by the Issuer in the preceding calendar month accompanied by a Certificate of Compliance, certifying that the Issuer is in compliance with applicable securities legislation. Listed Issuers must also prepare and post Notices of any distribution of securities, transactions or developments or proposed distributions, transactions or developments. Listed Issuer disclosure obligations are in addition to or supplementary to the continuous disclosure obligations under applicable securities legislation. Notices of proposed distributions and transactions must be updated every two weeks, either indicating completion or ongoing status. Issuers failing to provide updates will be subject to suspension if not remedied within a further two weeks.

2. CNSX Discretion

2.1 The Policies of the Exchange have been put in place to serve as guidelines to Issuers, Issuers applying for qualification for listing of securities, and their professional advisers. However, the Exchange reserves the right to exercise its discretion in applying the policies in all respects. The Exchange can waive or
modify an existing requirement or impose additional requirements. Any such waiver, modification or imposition of additional requirements may be general or particular in its application, as determined by the Exchange. In exercising its discretion, the Exchange will take into consideration facts or situations unique to a particular party. Listing of securities on the Exchange is a privilege, not a right, and the Exchange may grant or deny an application, including an application for the qualification for listing, notwithstanding the published Policies of the Exchange.

3. Definitions

3.1 Unless otherwise defined or interpreted or the subject matter or context otherwise requires, every term used in these Policies that is:

(a) defined or interpreted in section 1 of the Securities Act has the meaning ascribed to it in that section;

(b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection;

(c) defined in subsection 1.1(3) of National Instrument 14-101 has the meaning ascribed to it in that subsection;

(d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that section;

(e) defined or interpreted in Part 1 of National Instrument 21-101 has the meaning ascribed to it in that subsection;

(f) defined in subsection 1.1 of National Instrument 44-101 has the meaning ascribed to it in that subsection;

(g) defined in section 1.1 of UMIR has the meaning ascribed to it in that section; and

(h) a reference to a requirement of the Exchange shall have the meaning ascribed to it in the applicable by-law, Rule or Policy of CNSX Markets Inc.

3.2 In all Policies, unless the subject matter or context otherwise requires:

“affiliated entity” has the meaning ascribed to it in Ontario Securities Commission Rule 45-501.

“Inactive Issuer” means an issuer that has failed to meet certain continued listing requirements and has been deemed inactive by the Exchange pursuant to Policy 3 section 5.

“beneficial holders” means those security holders of an issuer that are included in either:

(a) a Demographic Summary Report available from the International Investors Communications Corporation; or

(b) a non-objecting beneficial owner list for the issuer under National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer;

“Board” means the Board of Directors of CNSX Markets Inc. and includes any committee of CNSX Markets Inc.’s Board of Directors to which powers have been
delegated in accordance with the by-laws, Policies or Rules.

“Board Lot” means a standard trading unit.

“Bulletin” means an electronic communication from the Exchange to Dealers.

“Business Day” means any day from Monday to Friday inclusive, excluding Statutory Holidays.

“by-laws” means any by-law of the Exchange as amended and supplemented from time to time.

“Clearing Corporation” means The Canadian Depository for Securities Limited or such other person as recognized by the Commission as a clearing agency for the purposes of the Securities Act and which has been designated by the Exchange as an acceptable clearing agency.

“Certificate of Compliance” means the certificate of compliance which each Listed Issuer must complete and post in Form 6.

“control block holder” means any person or combination of persons holding a sufficient number of any securities of a Listed Issuer or a Dealer to affect materially the control of that Listed Issuer or Dealer, but any holding of any person or combination of persons holding more than 20% of the outstanding voting securities of a Listed Issuer or Dealer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of that Listed Issuer or Dealer.

“CSE”, “Canadian Securities Exchange”, “CNSX” and “Exchange” each mean CNSX Markets Inc.

“Dealer” means a Participant which has applied to the Exchange for, and has been permitted by Exchange to access the Trading System, provided such access has not been terminated or suspended.

“Decision” means any decision, direction, order, ruling, guideline or other determination of the Exchange, including any committee of the Exchange, or the Market Regulator made in the administration or application of these Policies or any Rule.

“disqualify”, “disqualification” and “disqualified” where used in relation to the listing of an Issuer’s securities means termination of the qualification of a Listed Issuer for listing of its securities on the Exchange.

“Exchange Requirements” means collectively:

(a) the Rules;
(b) these Policies;
(c) UMIR; and
(d) any Decision,
as amended, supplemented and in effect from time to time.

“freely tradeable” in respect of securities means securities that have no restriction on resale or transfer, including restrictions imposed by pooling or other arrangements or in a shareholder agreement.
“Handbook” means the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

“IIROC” means the Investment Industry Regulatory Organization of Canada or any successor organization.

"Investor Relations Activities" means any activities or oral or written communications, by or on behalf of a Listed Issuer or shareholder of a Listed Issuer that promote or reasonably could be expected to promote the purchase, or sale of securities of the Listed Issuer, but does not include:

(a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Listed Issuer

(i) to promote the sale of its products or services, or

(ii) to raise public awareness of the Listed Issuer,

that cannot reasonably be considered to promote the purchase, or sale of securities of the Listed Issuer;

(b) activities or communications necessary to comply with

(i) applicable securities legislation, or

(ii) Exchange Requirements or the requirements of any other regulatory body having jurisdiction over the Listed Issuer;

(c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication that is of general and regular circulation if

(i) the communication is only through the newspaper, magazine or publication, and

(ii) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(d) such other activities or communications that may be specified by the Exchange.

“Listed Issuer” and “Issuer” both mean an issuer which has its securities qualified for listing on Exchange or which has applied to have its securities qualified for listing on the Exchange, as applicable.

“Listing” means the grant of a listing and quotation of, and permission to deal in, securities on the Exchange and “listed” and “quoted” shall be construed accordingly.

“Listing Agreement” means Form 4.

“Listing Statement” means Form 2A together with all required supporting documents.

“Listing Summary” means Form 2B.

“Market Regulator” means IIROC or such other person recognized by the Commission as a regulation services provider for the purposes of the Securities
Act and which has been designated by the Exchange as an acceptable regulation services provider.

“material information” means a material fact, a material change and any other information that might influence or change an investment decision of either a reasonable conservative or speculative investor.


“MR Policy” means a Policy as defined in UMIR, being a policy statement adopted by the Market Regulator in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

“outside director” means a director who is not an officer or employee of an Issuer or any of its affiliates.

“Personal Information Form” or “PIF” means Form 3.

“Policy” means any policy statement and any direction or decision adopted by the Board in connection with the administration or application of these Policies, as such policy statement, direction or decision is amended, supplemented and in effect from time to time.

“post” means submitting a document in prescribed electronic format to the Exchange website and, in the case of a requirement to post a share certificate, means filing a definitive specimen with CNSX and posting an electronic version of the certificate on the Exchange website in PDF format.

“Quarterly Listing Update” means Form 5.

“Record Date” means the date fixed as the record date for the purpose of determining shareholders of a Listed Issuer eligible for a distribution or other entitlement.

“registered holders” means the registered security holders of an issuer that are beneficial owners of the equity securities of that issuer. For the purposes of this definition, where the beneficial owner controls or is an affiliate of the registered security holder, the registered security holder shall be deemed to be the beneficial owner.

“Regulation” means Ontario Regulation 1015 - General Regulation made under the Securities Act, as amended from time to time.

“Related Entity” means, in respect of a Listed Issuer

(a) a person

(i) that is an affiliated entity of the Listed Issuer,

(ii) of which the Listed Issuer is a control block holder;

(b) a management company or distribution company of a mutual fund that is a Listed Issuer; or

(c) a management company or other company that operates a trust or partnership that is a Listed Issuer.

“Related Person” means, in respect of a Listed Issuer
(a) a Related Entity of the Listed Issuer;
(b) a partner, director or officer of the Listed Issuer or Related Entity;
(c) a promoter of or person who performs Investor Relations Activities for the Listed Issuer or Related Entity;
(d) any person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Listed Issuer or Related Entity; and
(e) such other person as may be designated from time to time by the Exchange.

“Securities Act” means the Securities Act, R.S.O. 1990, c.S.5 as amended from time to time.

“SEDAR” means the System for Electronic Document Analysis and Retrieval.

“significant connection to Alberta” means, with respect to a Listed Issuer or an issuer applying to become listed on the Exchange, that the issuer has:

(a) registered holders and beneficial holders resident in Alberta who beneficially own more than 20% of the total number of equity securities beneficially owned by the registered holders and beneficial holders of the issuer; or

(b) mind and management principally located in Alberta and has registered holders and beneficial holders resident in Alberta who beneficially own more than 10% of the total number of equity securities beneficially owned by the registered holders and beneficial holders of the issuer.

For the purposes of item (b), the residence of the majority of the directors in Alberta or the residence of the president or chief executive officer in Alberta may be considered determinative in assessing whether the mind and management of the issuer is principally located in Alberta.

“Statutory Holiday” means such day or days as may be designated by the Board or established by law applicable in Ontario.

“stock option” means an option to purchase shares from treasury granted to an employee, director, officer, consultant or service provider of a Listed Issuer.

“Trading Day” means a business day during which trades are executed on the Exchange.

“Trading System” means the electronic system operated by the Exchange for trading and quoting securities.

“Trading and Access Systems” includes all facilities and services provided by the Exchange to facilitate quotation and trading, including, but not limited to: the Trading System, data entry services; any other computer-based quotation and trading systems and programs, communications facilities between a system operated or maintained by the Exchange and a trading or order routing system operated or maintained by a Dealer, another market or other person approved by the Exchange, a communications network linking authorized persons to quotation dissemination, trade reporting and order execution systems and the content
entered, displayed and processed by the foregoing, including price quotations and other market information provided by or through the Exchange.

“UMIR” means the Universal Market Integrity Rules administered by the Market Regulator and adopted by the Exchange, as amended from time to time.

“unrelated director” means an outside director who has no relationship with the Issuer, in any capacity (e.g. as lawyer, accountant, banker, supplier or customer), save as a shareholder of the Issuer who is not a control block holder.

Interpretation. In these Policies and accompanying forms:

“person” includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust.

4. Rules of Construction

4.1 The division of Exchange Requirements into separate Rules, Policies, divisions, sections, subsections and clauses, the provision of a table of contents and index thereto, and the insertion of headings, indented notes and footnotes are for convenience of reference only and shall not affect the construction or interpretation of Exchange Requirements.

4.2 The use of the words “hereof”, “herein”, “hereby”, “hereunder” and similar expressions indicated the whole of the Policies and not only the particular Policy in which the expression is used, unless the context clearly indicates otherwise.

4.3 The word “or” is not exclusive and the word “including”, when following any general statement or term, does not limit that general statement or term to the specific matter set forth immediately after the statement or term, whether or not non-limited language (such as “without limitation” or “but not limited to” or similar words) is used.

4.4 Any reference to a statute, unless otherwise specified, is a reference to that statute and the regulations made pursuant to that statute, with all amendments made and in force from time to time, and to any statute or regulation that may be passed which supplements or supersedes that statute or regulation.

4.5 Unless otherwise specified, any reference to a policy, rule, blanket order or instrument includes all amendments made and in force from time to time and any policy, rule, blanket order or instrument which supplements or supersedes that policy, rule, blanket order or instrument.

4.6 Grammatical variations of any defined term shall have similar meanings; words imputing the masculine gender include the feminine or neuter gender and words in the singular include the plural and vice versa.

4.7 All times mentioned in Exchange Requirements shall be local time in Toronto on the day concerned, unless the subject matter or context otherwise requires.

4.8 Any reference to currency refers to lawful money of Canada (unless expressed to be in some other currency).

4.9 Failure by the Exchange to exercise any of its rights, powers or remedies under
the Requirements or its delay to do so will not constitute a waiver of those rights, powers or remedies. The single or partial exercise of a right, power or remedy will not prevent its subsequent exercise or the exercise of any other right, power or remedy. The Exchange will not be deemed to have waived the exercise of any right, power or remedy unless such waiver is made in writing and delivered to the person to whom such waiver applies or is published, if such waiver applies generally. Any waiver may be general or particular in its application, as determined by the Exchange.

5. Appeals of Decisions

51 A Listed Issuer or any person directly affected by a Decision under these Policies, other than a Decision of the Market Regulator, may appeal such Decision to the Board.

52 At the request of either the appellant or Exchange management, the matter may first be considered by the Listing Committee for an advisory opinion, but the Committee shall not have the power to make a final determination of the matter.

53 A Decision of the Market Regulator or a Market Integrity Official made pursuant to these Policies may be appealed pursuant to the provisions of Rule 11.3 of UMIR.