

## Annex D1

### Amendments to National Instrument 45-106 *Prospectus Exemptions*

1. *National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.*
2. *Section 2.1 is replaced with the following:*

#### Rights offering – reporting issuer

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1 (1)** In this section and sections 2.1.1, 2.1.2, 2.1.3 and 2.1.4,

**“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 a privilege to subscribe for the number or amount of securities set out in a rights certificate held by the holder of the rights certificate;

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

**“listing representation”** means a representation that a security will be listed or quoted, or that an 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 provisions of securities legislation set out in Appendix C;

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

**“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 on 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 was 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 was trading;

**“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;

**“rights offering circular”** means a completed Form 45-106F15 *Rights Offering Circular for Reporting Issuers*;

**“rights offering notice”** means a completed Form 45-106F14 *Rights Offering Notice for Reporting Issuers*;

**“secondary market liability provisions”** means the provisions of securities legislation set out in Appendix D opposite the name of the local jurisdiction;

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

**“stand-by commitment”** means an agreement by a person to acquire the securities of an issuer not subscribed for under the basic subscription privilege or the additional subscription privilege;

**“stand-by guarantor”** means a person who agrees to provide the 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

- (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 are 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 to purchase a security of the issuer’s 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, in Québec, the securities regulatory authority;
  - (iii) an undertaking to the regulator or, in Québec, the securities regulatory authority;
- (c) before the commencement of the exercise period for the rights, the issuer files and sends the rights offering notice to all security holders, resident in Canada, of the class of securities to be issued upon exercise of the rights;

- (d) concurrently with filing the rights offering notice, the issuer files a rights offering circular;
- (e) the basic subscription privilege is available on a pro rata basis to the security holders, resident in Canada, of the class of securities to be distributed upon the exercise of the rights;
- (f) in Québec, the documents filed under paragraphs (c) and (d) are prepared in French or in French and English;
- (g) the subscription price for a security to be issued upon the exercise of a right is:
  - (i) if there is a published market for the security, lower than the market price of the security on the day the rights offering notice is filed, or
  - (ii) if there is no published market for the security, lower than the fair value of the security on the day the rights offering notice is filed unless the issuer restricts all of its insiders from increasing their proportionate interest in the issuer through the exercise of the rights distributed or through a stand-by commitment;
- (h) if the distribution includes an additional subscription privilege, all of the following apply:
  - (i) the issuer grants the additional subscription privilege to all holders of the rights;
  - (ii) each holder of a right is entitled to receive, upon the exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of
    - (A) the number or amount of securities subscribed for by the holder under the additional subscription privilege, and
    - (B) the number or amount calculated in accordance with the following formula:
 

$x(y/z)$  where

$x$  = the aggregate number or amount of securities available through unexercised rights after giving effect to the basic subscription privilege;

$y$  = the number of rights exercised by the holder under the basic subscription privilege;

$z$  = the aggregate number of rights exercised under the basic subscription privilege by holders of the rights that have subscribed for securities under the additional subscription privilege;
  - (iii) all unexercised rights have been allocated on a pro rata basis to holders who subscribed for additional securities under the additional subscription privilege;

- (iv) the subscription price for the additional subscription privilege is the same as the subscription price for the basic subscription privilege;
  - (i) if the issuer enters into a stand-by commitment, all of the following apply:
    - (i) the issuer has granted an additional subscription privilege to all holders of the rights;
    - (ii) the issuer has included a statement in the rights offering circular that the issuer has confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment;
    - (iii) the subscription price under the stand-by commitment is the same as the subscription price under the basic subscription privilege;
  - (j) if the issuer has stated in its rights offering circular that no security will be issued upon the exercise of a right unless a stand-by commitment is provided, or unless proceeds of no less than the stated minimum amount are received by the issuer, all of the following apply:
    - (i) the issuer has appointed a depository to hold all money received upon the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received and the depository is one of the following:
      - (A) a Canadian financial institution;
      - (B) a registrant in the jurisdiction in which the funds are proposed to be held that is acting as managing dealer for the distribution of the rights or, if there is no managing dealer for the distribution of the rights, that is acting as a soliciting dealer;
    - (ii) the issuer and the depository have entered into an agreement, the terms of which require the depository to return the money referred to in subparagraph (i) in full to the holders of rights that have subscribed for securities under the distribution of the rights if the stand-by commitment is not provided or if the stated minimum amount is not received by the depository during the exercise period for the rights;
  - (k) the rights offering circular contains the following statement:
 

“There is no material fact or material change about [name of issuer] that has not been generally disclosed”.
- (4)** An issuer must not file an amendment to a rights offering circular filed under paragraph (3)(d) unless
- (a) the amendment amends and restates the rights offering circular,

- (b) the issuer files the amended rights offering circular before the earlier of
  - (i) the listing date of the rights, if the issuer lists the rights for trading, and
  - (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 rights offering circular.

**(5)** On the closing date or as soon as practicable following the closing date, the issuer must issue and file a news release containing all of the following information:

- (a) the aggregate gross proceeds of the distribution;
- (b) the number or 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, to the knowledge of the issuer after reasonable inquiry, and
  - (ii) all other persons, as a group;
- (c) the number or 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, to the knowledge of the issuer after reasonable inquiry, and
  - (ii) all other persons, as a group;
- (d) the number or amount of securities distributed under any stand-by commitment;
- (e) the number or amount of securities of the class issued and outstanding as of the closing date;
- (f) the amount of any fees or commissions paid in connection with the distribution.

**(6)** Subsection (3) does not apply to a distribution of rights if any of the following apply:

- (a) there would be an increase of more than 100% 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 the rights, assuming the exercise of all rights issued under a distribution of rights by the issuer during the 12 months immediately before the date of the rights offering circular;

- (b) the exercise period for the rights is less than 21 days, or more than 90 days, and commences after the day the rights offering notice is sent to security holders;
- (c) the issuer has entered into an agreement that provides for the payment of a fee to a person for soliciting the exercise of rights by holders of rights that were not security holders of the issuer immediately before the distribution under subsection (3) 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.

**3. *The Instrument is amended by adding the following sections:***

**Rights offering – stand-by commitment**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1.1** 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 if the stand-by guarantor acquires the security as principal.

**Rights offering – issuer with a minimal connection to Canada**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1.2(1)** The prospectus requirement does not apply to a distribution by an issuer, of a right to purchase a security of the issuer's own issue, to a security holder of the issuer if all of the following apply:

- (a) to the knowledge of the issuer after reasonable inquiry,
  - (i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and
  - (ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class;
- (b) all materials sent to any other security holders for the distribution of the rights are concurrently filed and sent to each security holder of the issuer that is resident in Canada;

- (c) the issuer files a written notice that it is relying on this exemption and a certificate that states that, to the knowledge of the person signing the certificate after reasonable inquiry,
  - (i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and
  - (ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class.

(2) For the purposes of paragraph (1)(c), a certificate of an issuer must be signed,

- (a) if the issuer is a limited partnership, by an officer or director of the general partner of the issuer,
- (b) if the issuer is a trust, by a trustee or officer or director of a trustee of the issuer, or
- (c) in any other case, by an officer or director of the issuer.

### **Rights offering – listing representation exemption**

**2.1.3** 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 2.1.2 if the listing representation is not a misrepresentation.

### **Rights offering – civil liability for secondary market disclosure**

**2.1.4 (1)** 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, 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 set out in section 2.1.

(2) For greater certainty, in British Columbia, the classes of acquisitions referred to in subsection (1) are prescribed classes of acquisitions under paragraph 140.2(b) of the *Securities Act* (British Columbia)..



4. *The Instrument is amended by adding the following appendices:*

**Appendix C**  
**to**  
**National Instrument 45-106 *Prospectus Exemptions***  
**Listing Representation Prohibitions**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Subsection 92(3) of the <i>Securities Act</i> (Alberta)
MANITOBA	Subsection 69(3) of <i>The Securities Act</i> (Manitoba)
NEW BRUNSWICK	Subsection 58(3) of the <i>Securities Act</i> (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Subsection 39(3) of the <i>Securities Act</i> (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Subsection 147(1) of the <i>Securities Act</i> (Northwest Territories)
NOVA SCOTIA	Subsection 44(3) of the <i>Securities Act</i> (Nova Scotia)
NUNAVUT	Subsection 147(1) of the <i>Securities Act</i> (Nunavut)
ONTARIO	Subsection 38(3) of the <i>Securities Act</i> (Ontario)
PRINCE EDWARD ISLAND	Subsection 147(1) of the <i>Securities Act</i> (Prince Edward Island)
QUÉBEC	Subsection 199(4) of the <i>Securities Act</i> (Québec)
SASKATCHEWAN	Subsection 44(3) of <i>The Securities Act, 1988</i> (Saskatchewan)
YUKON	Subsection 147(1) of the <i>Securities Act</i> (Yukon).

**Appendix D**  
**to**  
**National Instrument 45-106 *Prospectus Exemptions***  
**Secondary Market Liability Provisions**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Part 17.01 of the <i>Securities Act</i> (Alberta)
BRITISH COLUMBIA	Part 16.1 of the <i>Securities Act</i> (British Columbia)
MANITOBA	Part XVIII of <i>The Securities Act</i> (Manitoba)
NEW BRUNSWICK	Part 11.1 of the <i>Securities Act</i> (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Part XXII.1 of the <i>Securities Act</i> (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Part 14 of the <i>Securities Act</i> (Northwest Territories)
NOVA SCOTIA	Sections 146A to 146N of the <i>Securities Act</i> (Nova Scotia)
NUNAVUT	Part 14 of the <i>Securities Act</i> (Nunavut)
ONTARIO	Part XXIII.1 of the <i>Securities Act</i> (Ontario)
PRINCE EDWARD ISLAND	Part 14 of the <i>Securities Act</i> (Prince Edward Island)
QUÉBEC	Division II of Chapter II of Title VIII of the <i>Securities Act</i> (Québec)
SASKATCHEWAN	Part XVIII.1 of <i>The Securities Act, 1988</i> (Saskatchewan)
YUKON	Part 14 of the <i>Securities Act</i> (Yukon).

**5.     *The Instrument is amended by adding the following forms:***

**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 of National Instrument 45-106 *Prospectus Exemptions*. In this form, a distribution of rights is sometimes referred to as a “rights offering”.

**PART 1     GENERAL INSTRUCTIONS**

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

*Guidance*

We do not expect the rights offering notice to be longer than two pages in length.

## **PART 2 THE RIGHTS OFFERING 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 immediately below the date of the rights offering notice:

**“We currently have sufficient working capital to last [insert the number of months of working capital as at the date of the rights offering 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?**

List the jurisdictions in which the issuer is offering rights.

Explain how a security holder in a foreign jurisdiction can acquire the rights and the securities issuable upon the exercise of the 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 a security holder on the record date will receive for every security held as of the record date.

## **6. What does one right entitle you to receive?**

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

## **7. How will you receive your rights?**

Include a rights certificate with the rights offering notice if the rights offering notice is being delivered to a registered security holder and direct the security holder's attention to this certificate.

If you are delivering the rights offering notice to a security holder in a foreign jurisdiction, provide instructions on how that security holder can receive its rights certificate.

## **8. When and how can you exercise your rights?**

State when the exercise period ends for security holders who have their rights certificate.

Also, provide instructions on how to exercise the rights to security holders whose securities are held in a brokerage account.

## **9. What are the next steps?**

Include the following statement, using wording substantially similar to the following:

**“This document contains key information you should know about [insert name of issuer]. You can find more details in the issuer’s rights offering circular. To obtain a copy, visit [insert name of issuer]’s profile on the SEDAR website, visit [insert the website of the issuer], ask your dealer representative for a copy or contact [insert name of contact person of the issuer] at [insert the phone number or email of the contact person of the issuer]. You should read the rights offering circular, along with [insert name of issuer]’s continuous disclosure record, to make an informed decision.”**

## **10. Signature**

Sign the rights offering notice. State the name and title of the person signing the rights offering notice.

**Form 45-106F15**  
***Rights Offering Circular for Reporting Issuers***  
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## **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 of National Instrument 45-106 *Prospectus Exemptions*. In this form, a distribution of rights is sometimes referred to as a “rights offering”.

The objective of the rights offering circular is to provide information about the rights offering and details on how an existing security holder can exercise the rights.

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

#### *Guidance*

We do not expect the rights offering circular to be longer than 10 pages.

### **2.      Incorporating information by reference**

You must not incorporate information into the rights offering circular by reference.

### **3.      Plain language**

Use plain, easy to understand language in preparing the rights offering 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 rights offering circular. To make the rights offering circular easier to understand, present information in tables.

### **5.      Omitting information**

Unless this form indicates otherwise, you are not required to complete 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 of the date of the rights offering circular.

### **7.      Forward-looking information**

If you disclose forward-looking information in the rights offering circular, you must comply with Part 4A.3 of National Instrument 51-102 *Continuous Disclosure Obligations*.

## 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 the rights offering notice] rights offering notice, which you should have already received. Your rights certificate and relevant forms were enclosed with the rights offering notice. This circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.”*

#### *Guidance*

We remind issuers and their executives that they are liable under secondary market liability provisions for the disclosure in this rights offering circular.

### 9. Basic disclosure about the distribution

Immediately below the statement referred to in item 8, 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, state the following 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 rights offering 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 the rights offering circular

State the following in bold:

**“Why are you reading this circular?”**

Explain the purpose of the rights offering circular. State that the rights offering circular provides details about the rights offering and refer to the rights offering 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 rights offering. If your outstanding share capital includes more than one class or type of security, 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 do[es] [insert number of rights] right[s] entitle you to receive?”**

Explain what the security holder will receive upon the exercise of the rights. Also include the number of rights needed to acquire the underlying security.

### **13. Subscription price**

State the following in bold:

**“What is the subscription price?”**

Provide the price a security holder must pay to exercise the rights. 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 paragraph 2.1(3)(g) of NI 45-106 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 that the offer expires.

*Guidance*

Refer to paragraph 2.1(6)(b) of NI 45-106 which provides that the prospectus 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 rights offering notice is sent to security holders.

**15. Description of the securities**

State the following in bold:

**“What are the significant attributes of the rights issued under the rights offering and the securities to be issued upon the exercise of the rights?”**

Describe the significant attributes of the rights and securities to be issued upon exercise of the rights. Include in the description the number of outstanding securities of the class of securities issuable upon exercise of the rights, as of the date of the rights offering circular.

**16. Securities issuable under the rights offering**

State the following in bold:

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

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

**17. Listing of securities**

State the following in bold:

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

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

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

### **PART 3      USE OF AVAILABLE FUNDS**

#### **18.      Available funds**

State the following in bold:

**“What will our available funds be upon the closing of the rights offering?”**

Using the following table, disclose the available funds after the rights 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 rights 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 of the most recent month end. If the available funds 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 available funds

State the following in bold:

**“How will we use the available funds?”**

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

Description of intended use of available funds 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 available funds in item 18	\$	\$	\$	\$	\$

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 rights offering, include threshold disclosure if only 15%, 50% or 75% of the entire offering is taken up.

*Instructions:*

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

*If the available funds 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 bold.*

2. *If you will use more than 10% of available funds 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 available funds 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 to determine the purchase price.*
4. *If any of the available funds will be paid to an insider, associate or affiliate of the issuer, disclose in a note to the use of available funds table in item 19 the name of the insider, associate or affiliate, the relationship to the issuer, and the amount to be paid.*
5. *If you will use more than 10% of available funds 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 available funds 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 reallocate available funds, include the following statement:*

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

**20. How long will the available funds last?**

State the following in bold:

**“How long will the available funds last?”**

Explain how long management anticipates the available funds 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 the issuer’s 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 the available funds to last for more than 12 months, state this expectation.

**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, to the extent known to the issuer after reasonable inquiry.

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

State the following in bold:

**“Who are the holders of 10% or more of our securities before and after the rights offering?”**

Provide this information in the following tabular form, to the extent known to the issuer after reasonable inquiry:

Name	Holdings before the offering	Holdings after the offering
[Name of security holder]	[State the number or amount of securities held and the percentage of security holdings this represents]	[State the number or amount 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, by how much will your security holdings be diluted?”**

Provide a percentage in the rights offering 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?”**

Explain the nature of the issuer’s relationship with the stand-by guarantor including whether, and the basis on which, if applicable, the stand-by guarantor is a related party of the issuer. 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.

*Instructions:*

*In determining if a stand-by guarantor is a related party, you should refer to the issuer’s GAAP which has the same meaning as in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.*

### **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 out its stand-by commitment?”**

If the offering has a stand-by commitment, state that you have confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment.

**26. Security holdings of the stand-by guarantor**

State the following in bold:

**“What are the security holdings of the stand-by guarantor before and after the rights offering?”**

Provide this information in the following tabular form, to the extent known to the issuer after reasonable inquiry:

Name	Holdings before the offering	Holdings after the offering if the stand-by guarantor takes up the entire stand-by commitment
[Name of stand-by guarantor]	[State the number or amount of securities held and the percentage of security holdings this represents]	[State the number or amount of securities held and the percentage of security holdings this represents]

**PART 7 MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS**

**27. The managing dealer, the soliciting dealer and their fees**

State the following in bold:

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

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

**28. 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 National Instrument 33-105 *Underwriting Conflicts*, include that disclosure.

**PART 8 HOW TO EXERCISE THE RIGHTS**



**29. Security holders who are registered holders**

State the following in bold:

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

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

**30. 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 rights offering?”**

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

**31. Eligibility to participate**

State the following in bold:

**“Who is eligible to receive rights?”**

List the jurisdictions in which you are making the rights offering.

Explain how a security holder in a foreign jurisdiction can acquire the rights and securities issuable upon the exercise of the rights.

**32. 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.

**33. Transfer of rights**

State the following in bold:

**“How does a rights 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.

**34. Trading of underlying securities**

State the following in bold:

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

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

**35. 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 be available only in limited circumstances.

**36. Fractional securities upon exercise of the rights**

State the following in bold:

**“Will we issue fractional underlying securities upon exercise of the rights?”**

Respond “yes” or “no” and explain (if necessary).

**PART 9 APPOINTMENT OF DEPOSITORY**

**37. 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 upon exercise of the rights until the minimum offering amount or stand-by commitment is received or until the money is returned.

**38. 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 under which 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**

### **39. 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 outside of Canada. It may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada.”**

## **PART 11 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 12 MATERIAL FACTS AND MATERIAL CHANGES**

### **41. Material facts and material changes**

State the following in bold:

**“There is no material fact or material change about the issuer that has not been generally disclosed.”**

If there is a material fact or material change about the issuer that has not been generally disclosed, add disclosure of that material fact or material change.

*Guidance*

Issuers should be aware that disclosing a material change in the rights offering circular does not relieve the issuer of the requirement to issue a news release and file a material change report as required by Part 7 of NI 51-102.

6. This Instrument comes into force on December 8, 2015.