ZEUS CAPITAL LTD.

www.zeuscapital.ca

Diverse Capital

www.diverse-cap.com

Assisting Companies with growth funding and public listing in Canada

RTO

www.reverse-takeovers.com

TMX TORONTO STOCK EXCHANGE
TSX VENTURE EXCHANGE

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Our Background

Diverse Capital - Singapore

Steven Pearce
(Founder and Managing Director)

www.diverse-cap.com and www.reverse-takeovers.com

Diverse Capital ("Diverse") is an investment and consulting business based in Singapore which assists growth companies in both private and public capital markets. Diverse was founded by Steven Pearce who has 20 years experience in the Stock Broking, Fund Management and Capital Markets Industry.

Diverse provide a number of services including;

- Strategic Investments (Private and Mezzanine Financing)
- Fund Raisings (Pre-IPO, IPO and Secondary market fund raising)
- Public Listings (Reverse Takeovers, IPO's, Dual and Secondary listings)
- Corporate Restructuring
- Mergers & Acquisitions
- Business Partnerships

Zeus Capital - Vancouver, B.C. Canada

Konstantin Lichtenwald
(Founder and Managing Director)

www.zeuscapital.ca and www.reverse-takeovers.com

Zeus Capital ("Zeus") is a boutique corporate finance firm that specializes in providing IPO/RTO, valuations, M&A and consulting services. Zeus was founded by Konstantin Lichtenwald who has over 10 years of finance and accounting experience including corporate compliance, accounting and financial management and initial public offering and reverse takeover services.

Zeus provide a number of services including;

- Accounting
- Valuations
- Mergers and Acquisitions
- Due diligence
- Structure planning
- Financing strategies
- Exit strategies
- Board Representation

2. TSX and TSX Venture Exchange

Background of TSX

- TMX Group, Inc. ("TMX") owns and operates TSX, one of the world's largest equity markets, and TSXV. TMX is unique in the world: we offer a full-service equity exchange system, providing access to financings for companies of all sizes.
- The Exchanges offer listed companies access to international capital and investors. With a wide investor base and strong liquidity, the Exchanges serve as an access point for Canadian, U.S. and international companies seeking growth and expansion capital within a respected regulatory regime.
- TMX and the Canadian capital markets are part of an infrastructure that supports the growth of companies across all industry sectors.

TSX/TSXV Market Benefits

- TSX is a Globally recognised Exchange with a strong track record of growth
- Long history of successfully listing and funding early-stage growth companies
- Robust Regulatory Environment
- Ability to access deep pools of capital and liquidity
- Easy ability to dual list post listing in Canada into the USA and Europe
- Ability to access benchmark indices at a relatively early stage
- Solid valuations for Tech and especially SaaS businesses in North America
- Benefits of RTO - publicly listed shell starts out with a pre-existing shareholder base that can assist them with satisfying the exchange's public float and distribution requirements.

3. Benefits of Public Listing

- **Easier access to capital** – whether it be for specific projects or future growth, companies are able to access capital on more favourable conditions than private equity financing and without the interest costs of debt financing.

- **Greater liquidity for existing and future shareholders** – shares will become easier to sell; however, securities held by principals may be subject to escrow requirements imposed by statute and/or arrangements with underwriters.

- **Greater liquidity options for founders** – founders may sell some or all of their shares or use them as collateral for personal loans.

- **Increased credibility** – generally speaking, due to greater transparency and visibility, public issuer status enhances corporate image which in turn assists in developing relationships with customers, suppliers and the community.

- **Ability to use equity as compensation to management** – permits greater flexibility in compensation arrangements.

- **Ability to use equity as compensation for purchases** – enhances the ability of an issuer to complete mergers utilizing liquid stock as consideration.

- **Enhanced ability to borrow** – the increase in equity base creates more leverage for growth by improving a company's debt-to-equity ratio.

- **Method of valuation through the market** – provides a more accurate assessment of the fair market value of the enterprise.

4. Considerations re Public Listing

- Does your business include directors and senior executives with a proven track record in managing public companies?
- Is your company prepared for the compliance and disclosure requirements that public companies are required to follow?
- Your management team needs to be prepared for changes in culture, operations, reporting, etc. that come with being a public entity. They will be accountable to shareholders. In addition, the management team's decisions can become a matter of public record and regulatory scrutiny.
- Public shareholders making an investment in your company will monitor management's performance and your company's track record of meeting milestones.
- Going public will increase your Board of Directors' responsibilities to the investment community, in particular with regard to the amount and type of information they will be expected to provide on a regular basis.
- When a company goes public, it may be required to have some securities in escrow, meaning they cannot be sold for a certain length of time. Generally, the securities held by management and key principals will be escrowed and gradually released over a period of 18 to 36 months starting from the date of listing.
- Potential loss of certain tax benefits – current income tax laws provide certain credits and deductons to Canadian-controlled private corporations which are no longer available to a company once it goes public.

5. Capital Pool Company (CPC) Program

The CPC program is a unique listing vehicle offered exclusively by TSX Venture Exchange.

The program is a two-phased process involving the following steps:

Step 1 | CPC Initial Public Offering
Step 2 | Qualifying Transaction

Step 1 - The Capital Pool Company IPO

The Capital Pool Company (CPC) program is a unique Canadian invention that supports private companies to complete a go public transaction. A Qualifying Transaction is effectively a reverse takeover of a CPC by an operating business that will access the capital, shareholders and expertise of the CPC to complete a listing on TSX Venture Exchange or Toronto Stock Exchange. It is the most common way that companies go public on TSXV and the program has an incredible track record as an ingredient in the success of many companies that have grown to be leaders in the Canadian markets.

Step 1 - Creating the CPC:

- Minimum three individuals with an appropriate combination of business and public company experience put up a minimum of the greater of $100,000 or 5% of total funds raised to a maximum of $1,000,000.

- These founders incorporate a shell company - the Capital Pool Company (CPC) - and issue shares in exchange for seed capital at a minimum price between the greater of $0.05 and 50% of the price at which subsequent shares are to be sold via prospectus.

- The CPC and its advisors prepare a prospectus that outlines management's intention to raise between $200,000 and $9,500,000 by selling CPC shares at typically twice the issuance price of the seed shares (typically $0.10), and to use the proceeds to identify and evaluate potential acquisitions.

Step 1 - The Capital Pool Company IPO

Selling the shares:

- The CPC files the prospectus with the appropriate securities commission(s), and applies for listing on TSXV.
- Regulatory authorities review the prospectus and inform your professional advisors of any deficiencies.
- After all deficiencies are cleared to the satisfaction of the regulators, file an amended prospectus in final form. The securities commission will issue a final receipt as acceptance of the prospectus.
- This approval allows your company to begin selling shares in the provincial jurisdictions where a final receipt has been issued.
- The broker sells the CPC shares, pursuant to the prospectus, to at least 150 arm's length shareholders, each of whom holds at least 1,000 shares. No one purchaser can purchase more than 2% of the offering, and no one purchaser together with his, her, or its associates or affiliates can purchase more than 4% of the offering.
- Minimum of 500,000 free trading shares
- 20% public shareholders
- Once the distribution has been completed and closed, the CPC is listed for trading in the secondary market. The symbol includes a .P to identify the company as a CPC.

Restrictions and Benefits of CPCs

Restrictions

- Restrictions on uses of proceeds not directly related to the identification of QTs
- Only common shares for cash, stock options and Agent’s options can be issued
- CPC Founder shares escrowed until the completion of QT

Benefits

- Protection of public capital
- Preservation of working capital
- Clean capital structure
- CPC Founders’ economic interests are aligned with shareholders

Once the CPC identifies an appropriate business as its Qualifying Transaction “QT”, it issues a news release to announce that it has entered into a Qualifying Transaction Agreement to acquire the business.

Step 2 - The Qualifying Transaction

Announcing the acquisition:

- The CPC identifies an appropriate business as its "qualifying transaction" and issues a news release to announce that it has entered an agreement in principle to acquire the business.
- The CPC prepares a draft filing statement or information circular providing prospectus-level disclosure on the business that is to be acquired.
- TSXV reviews the disclosure document and evaluates the business to ensure it meets minimum listing requirements.
- TSXV conditional acceptance for the QT
- Filing of final disclosure document publicly
- As shareholder approval is typically not required for an arm’s length Qualifying Transaction, the filing statement is posted on SEDAR for at least seven business days, after which the Qualifying Transaction closes and the business is acquired.
- Additional components of the deal often include a name change, share consolidation, and private placement coinciding with the closing of the Qualifying Transaction.

Step 2 - The Qualifying Transaction

The Qualifying Transaction may be structured as any one or more of the following:

- Share for share exchange. Shareholders of the private company transfer their shares to the CPC and in exchange the CPC issues a number of new shares to them based upon an agreed upon valuation.

- Amalgamation. The private company amalgamates with the CPC to form one corporation. If the CPC and the private company are not incorporated in the same jurisdiction, the private company will need to be redomiciled to the jurisdiction of the CPC through a process referred to as a "continuance".

- Plan of Arrangement. Where the capital structure of the private company is complex and/or there are other unique considerations which may not be addressed through the simpler share for share exchange or an amalgamation, a Plan of Arrangement may be used for the merger.

- Asset Purchase. The CPC purchases assets from a third party in exchange for cash or securities of the CPC or a combination of the two. In each of these forms of Qualifying Transactions, the shareholders of the private company, either by agreement between the shareholders and the CPC or by agreement between the CPC and the private company, exchange their shares of the private company for securities of the CPC.

The Resulting Issuer and Minimum Listing Requirements

The Resulting Issuer must satisfy the Exchange's minimum listing requirements for the particular industry sector.

The minimum listing requirements will include the following where relevant to the appropriate industry sector: cash flows, earnings, revenues, property reserves, working capital and financial resources, prior expenditures, etc.

Additionally, following the completion of the Qualifying Transaction, the Resulting Issuer must demonstrate sufficient distribution, market cap and float as follows:

- Minimum of 150 Public Shareholders each holding at least 1,000 shares
- 500,000 free trading public shares
- 20% of issued and outstanding shares in the hands of Public Shareholders

6. Reverse Takeover

- A reverse take-over of an existing company (RTO), is a transaction whereby a public company (typically inactive) which has few, if any, assets (“Public Co”) acquires all of the securities of a private company which has substantial assets and/or operations (“Private Co”).

- The result of this transaction is Private Co indirectly “going public”. Public Co acquires the securities of Private Co by issuing to Private Co’s shareholders a significant number of shares in Public Co (equivalent in value to the assets or operations of Private Co).

- Typically, the result of a RTO is a change of control in the ownership of Public Co and, in many cases, the former shareholders of Private Co will hold a large majority of the shares of Public Co post RTO. Public Co will remain listed on a stock exchange but will now also have assets and/or operations.

- This type of transaction is subject to the approval of the shareholders of Public Co, using a proxy circular prepared with financial statements similar to the requirements for an IPO prospectus. Although the proxy circular distributed to the shareholders of Public Co is not reviewed by securities regulators, it must contain prospectus-level disclosure of the public company, private issuer and the issuer resulting from the RTO.

- Moreover, the transaction is subject to the review and approval of the applicable exchange, and the issuer resulting from the RTO must meet the original minimum listing requirements of the exchange.

- The time and costs of completing a RTO are similar to the time and costs of completing an IPO.

- Did you know ? New York Stock Exchange, Warren Buffett’s Berkshire Hathaway, Burger King and T-Mobile were all successfully listed as a result of Reverse mergers.

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7. RTO Timetable (detailed)

Phase 1 – Preliminary Steps	Time	Timeline
Phase 1 Identifying Target, Commencing Negotiations	2 – 4 weeks	Identify Public Co target and commence negotiations • Commence due diligence process on each other • Determine stock consideration ratio or range • Consider whether a financing is required in connection with the RTO • Begin preparation of financial statements for information circular
Phase 2 Announcing Transaction	1 – 2 weeks	Announce transaction with Public Co • Commence preparation of Public Co's shareholders meeting materials • Continue preparation of financial statements • Continue legal and business due diligence • Select management and board of directors of resulting issuer
Phase 3 Filing Initial Draft Documents	4 – 8 weeks	Deliver initial draft documentation to the exchange, including: - information circular - financial statements - technical reports - listing application - personal information forms • Publish record date for shareholders meeting (at least 7 days prior to the record date)
Phase 4 Obtaining Conditional Approval	2 – 4 weeks	Obtain conditional listing approval from applicable exchange • Determine record date for shareholders meeting (must be at least 30 days prior to meeting date) • Print and mail meeting materials to Public Co shareholders (must be at least 21 days prior to the meeting date)
Phase 5 Closing the Transaction	1 – 2 weeks	Hold shareholders meeting and obtain shareholder approval • Filing of post shareholder approval documents with the TSX, including: - scrutineer's report - legal opinion - balance of filing fees • Close RTO transaction • Exchange issues final exchange bulletin (evidencing final listing approval) • Common shares of the resulting issuer commence trading

8. US Cross Listing (4-6 weeks)

All Canadian listed companies are allowed to dual list into the US on OTCQB or QX markets. Registry process 4-6 weeks.

About and Requirements

- The OTCQB marketplace is the middle marketplace and was developed for venture-stage companies that do not qualify for admission to trade on the OTCQX.
- OTCQB companies must be current in their disclosure and must meet a minimum US$0.01 bid price test. OTCQB companies are also subject to an annual verification and management certification process. If the company is seeking quotation on the OTCQB as an “International Reporting Company” not subject to Securities and Exchange Commission (SEC) reporting requirements, it will have to submit with its application for admission a letter of introduction from a PAL.

Benefits

- US capital markets are one of the world’s leading and most consistent markets to provide issuers with access to capital and liquidity for shareholders. They have long been a favoured destination for Canadian companies wishing to raise capital or establish a trading presence for their securities.
- Historically, Canadian companies have preferred listings on US national securities exchanges, such as the New York Stock Exchange, the NYSE MKT or the NASDAQ Stock Market.
- While these stock exchanges continue to be excellent platforms for certain companies, many companies have become concerned over the scope, effects and related compliance costs of ongoing “regulatory creep” under the Securities Exchange Act of 1934 (Exchange Act) on US-listed companies following the enactment of the Sarbanes-Oxley Act of 2002.
- In response the SEC has introduced significant regulatory changes that have made the OTCQX substantially more attractive as an alternative US capital market for more senior Canadian and other non-US companies. At the same time, innovations introduced by OTC Markets Group in connection with the reorganization of the OTC market have established the OTCQB as a transparent and viable trading platform for venture stage companies which cannot qualify for listing on a US national securities exchange or the OTCQX.

9. Frankfurt Cross Listing (within 4 weeks).

About

- The Frankfurt Stock Exchange (FSE) is one of the leading European exchange. Internationally known for its 30 DAX listed companies, such as for example Adidas, BASF, BMW, Daimler, Lufthansa, Siemens and Volkswagen.
- The FSE is operating also the Open Market with more than 8,000 foreign listed companies such as Apple, Barrick Gold, BHP, Coca-Cola, Google, Microsoft, Nestle, Rio Tinto and Royal Dutch Shell, to name a few.
- Equities from over 60 different countries are traded in the Open Market segment.

Requirements

- If your company is already listed on an eligible stock exchange, such as the ASX, TSX or TSV-Venture, a dual listing on the Frankfurt Stock Exchange quotation board will allow your company to gain exposure into Germany and Europe. This is especially useful for companies that are currently listed outside of Europe.
- In order to dual list on the Frankfurt Stock Exchange Quotation Board, companies must already trade on a exchange approved by the Frankfurt Stock Exchange as a "like" exchange.
- Such companies are eligible to conduct a Frankfurt Stock Exchange dual listing without going through the normal primary listing procedures and without filing a prospectus.

Benefits

- Ability to dual list on the Frankfurt Stock Exchange via the Quotation Board is much faster (typically within 2 weeks).
- Dual listing is much more affordable post your home country listing being completed.
- Frankfurt listing opens up significant exposure of your story to new investors across Germany and Europe.
- Dual listing improves a company's share liquidity and its public profile because the shares trade on more than one market. Potential for significant re-rating.
- Potential for companies to tap much deeper pools of capital in order to raise further growth capital outside of its home country.

10. Indicative Costs for Listing and Professional Fees

Exchange Listing Fees

- Fees for listing on TSXV run from $10,000 to $40,000 (This amount comprises Original Listing Fee and Annual Sustaining Fee).

Broker Fees for raising Capital

- Sales commission of about 6-10 percent of the value of the securities sold is the typical rate in Canada. These sales commissions are paid out of the offering proceeds (paid upon successful raising being completed).

Audits

- Audit fees can vary dramatically. They'll depend on the complexity of your company, the state of its accounting records and its financial position. U.S. or foreign-based companies will likely incur higher audit fees, as will certain types of businesses. Estimates range from $30,000 to $100,000.

Legal Costs

- Costs will vary depending on the quality and quantity of documentation your company prepares, and the complexity of your business. U.S. or foreign-based companies will likely incur higher legal fees, as will certain types of businesses.

Summary

- Listing Fees - $10,000 - $40,000.
- Accounting and Auditing Fees $30,000 - $100,000. Legal Fees - $75,000 +
- Broker commission for funds raised - Up to 10%.
- Diverse / Zeus Capital Success and Listing Management Fees upon request.

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11. Diverse Capital and Zeus Capital's End-to-End Services

- **Managing the Listing -** We will lead and manage the whole IPO/RTO process (Typically 4-6 months to listing).

- **Structuring the deal -** We assist with the structuring of the RTO and negotiations with the shell - We can setup an initial meeting with the Stock Exchange to get comfort with the proposed Transaction ahead of the signing of the LOI with the CPC/Shell.

- **Legal, Audit and Securities Commission -** We will manage legal and audit aspects on the ground in Canada in conjunction with the Target's auditors and lawyers.

- **Board of Directors and CFO roles** - We can assist in board composition. Konstantin Lichtenwald currently occupies a number of Board Positions with Canadian public companies and could potentially provide Canadian resident directorship for the Target, in addition to CFO role (if needed).

After successful IPO

- **Dual listing in US and Europe** - OTCQX, OTCQB and Frankfurt Stock Exchange (FSE). Diverse Capital and Zeus Capital can assist with your dual listing and provide capital market introductions relating to marketing and roadshow activities. Konstantin Lichtenwald being of German ancestry can also provide introductions in Germany in conjunction with the Frankfurt dual listing.

- **Research Coverage -** Through our partner networks we have the ability to ensure your Company has Independent research coverage on a customized or bespoke basis, prepared by Analysts and Industry Experts.

Fundamental Research Corp.
Investment Analysis for Intelligent Investors

12. Additional Services

Capital Markets

- The capital markets present enormous opportunities, but unfortunately challenges as well. Our team is seasoned in various capital markets transactions and effective financing opportunities, including IPOs, RTOs and OTC markets.

Mergers & Acquisitions

- A successful business will inevitably undergo change, be it acquiring other businesses or corporate transactions. We use our expertise to make sure maximum value is attained from any corporate action.

Consulting

- We provide efficient and simple solutions so business owners can concentrate on what they do best – growing the business. Each business is different, and solutions will be tailored to the individual business.

Financial Advisory

- We advise your business every step of the way. We perform detailed analysis, planning and execution for our clients in both improving their current business operations or expanding.

Tax Services

- We can provide services to ensure you are in compliance with Canada Revenue Agency.

CFO Services

- We can provide services to ensure you are in compliance with the Exchange and Securities Commission.

Public Listings our team have recently been involved in

BNXA:(TSXV)

BANXA

KTG:(ASX)

K-TIG
KEYHOLE TIG WELDING

BNXA:TSXV (Banxa)

Arrangers to the Listing in Canada (Jan 2021)

- Listing Price C$1.00
- Current Share Price C$6.29 (15th March 2021)
- Market Capitalisation at Listing C$40m
- Current Market Capitalisation C$256m
- Amount Raised at Listing C$4m

KTG:ASX (K-Tig)

Arranger to the Listing in Australia (Alto Capital as Lead Manager - Oct 2019)

- Listing Price A$0.20
- Current Share Price A$0.50 (15th March 2021)
- Market Capitalisation at Listing A$28m
- Current Market Capitalisation A$85m
- Amount Raised at Listing A$7m

Contact Us

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