TSX VENTURE EXCHANGE

Capital Pool Company® Program

TMX THE FUTURE IS YOURS TO SEE.®

Why Choose The Capital Pool Company Route?

The public markets can offer a number of benefits to a company. The most important benefits are **access to capital** and the **ability to use your share capital** to complete acquisitions. It can also provide liquidity to investors and help a company to compete for talent.

There are important reasons why the Capital Pool Company (CPC) program is the most common way that companies go public on TSXV. The CPC program is driven by many mechanisms that create checks and balances for market participants through governance and transparency while positioning a company for success as a publicly traded company.

The reasons that a company would consider a **Qualifying Transaction (QT)** with a **CPC** are:

1

Provides a going public process that has greater flexibility, more certainty and allows more control over the process by the company that is going public.

2

With over 2000 Qualifying Transactions completed, the process of going public is well structured and understood by market participants.

3

A Qualifying Transaction can mitigate certain market risks inherent in an IPO.

4

Connects a growth company to experienced corporate directors that can be long-term investors and directors for the company that will help bridge the company to the public markets.

5

The financing of the QT is not required to have the broad distribution of an IPO.

Connecting with CPCs

CPC LIST

TSX Venture Exchange maintains a list of all currently available CPCs. This list can be accessed at: **CPC LIST**

CPC DEAL PORTAL

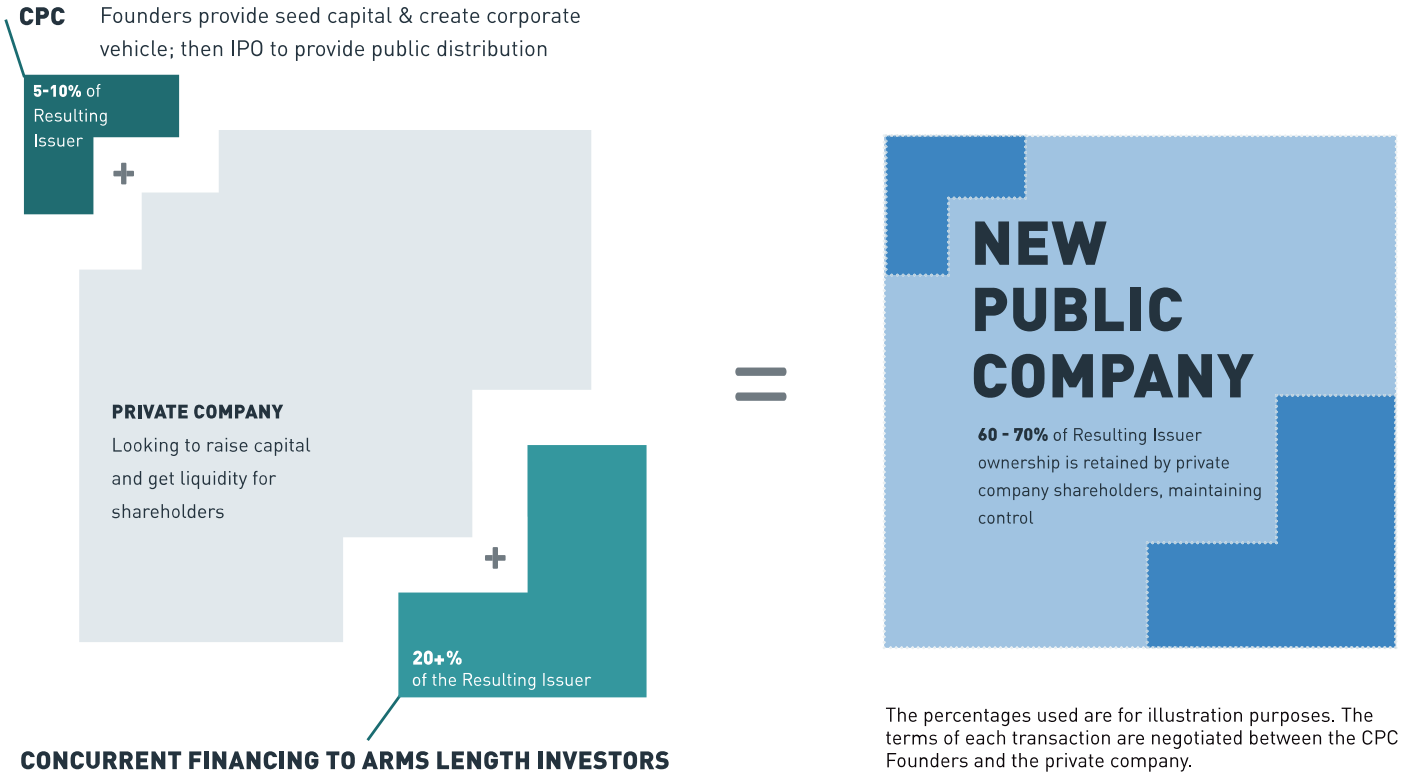
Connect with our team at: julian.russo@tmx.com, we can utilize the CPC Deal Portal to share your company profile with CPC deal makers.

Capital Pool Company Program

A TWO-STEP INTRODUCTION TO THE CANADIAN CAPITAL MARKET AT TSX VENTURE EXCHANGE

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.

Anatomy of a Qualifying Transaction (QT)



The percentages used are for illustration purposes. The terms of each transaction are negotiated between the CPC Founders and the private company.

2600+	85%*	$75B+	32%
CPCs created	of CPCs completed QTs	equity raised by former CPCs	of current TSX listings that graduated from TSXV are former CPCs

*As of September 30, 2020
*Since inception

As a public venture capital marketplace in Canada, TSX Venture Exchange provides growth companies with access to capital and offers investors a venture investment market with comprehensive compliance standards.

A unique listing vehicle, the Capital Pool Company (CPC) program provides those growth companies with an alternative, two-step introduction to the capital markets.

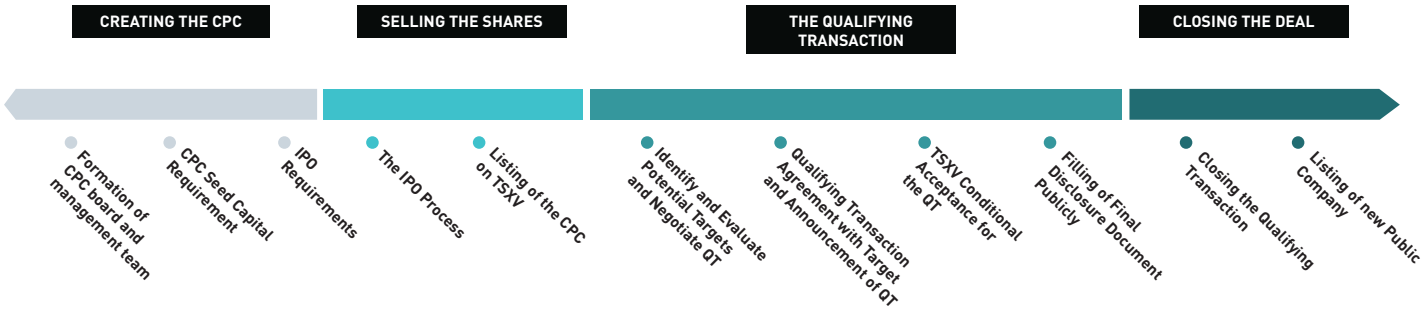
Step 1 | CPC Initial Public Offering

The CPC program introduces investors with financial market experience to entrepreneurs whose growth and development-stage companies require capital and public company management expertise. Unlike a traditional IPO, the CPC program enables seasoned directors and officers to form a Capital Pool Company with no assets other than cash and no commercial operations, list it on TSX Venture Exchange, and raise a pool of capital.

Step 2 | Qualifying Transaction

The CPC then uses these funds to seek out an investment opportunity in a growing business. Once the CPC has completed its Qualifying Transaction and acquired an operating company that meets Exchange listing requirements, its shares continue trading as a regular listing on TSX Venture Exchange.

The CPC Process



CREATING THE CPC

FORMATION OF CPC BOARD AND MANAGEMENT TEAM

CPC Board and Management ("*CPC Founders*") is made up of at least three individuals with an appropriate combination of business and public company experience, specifically:

- A positive track record with junior companies, as evidenced by growth of such companies;
- The ability to raise financing;
- A positive corporate governance and regulatory history;
- Technical experience in the appropriate industry sector, where applicable;
- The ability to locate and develop appropriate acquisition opportunities for companies; and
- Positive experience as directors or senior officers with public companies in Canada or the United States, as evidenced by the growth of such companies and/or the listing of such companies on the Exchange or on a senior exchange or quotation system such as TSX, NASDAQ or NYSE.

CREATING THE CPC

CPC SEED CAPITAL REQUIREMENT

- Minimum seed share price greater of $0.05 and 50% of the IPO price
- Minimum of $100,000, maximum of $1,000,000
- Minimum amount from Directors/Officers of the greater of (i) $100,000; or (ii) 5% of all proceeds
- Minimum $5,000 from each Director/Officer

IPO REQUIREMENTS

IPO	AGGREGATE GROSS PROCEEDS	DISTRIBUTION	OTHER CRITERIA
Minimum $0.10/ share **Minimum of** $200,000 **Maximum of** $9,500,000	**Maximum of** $10,000,000	**Minimum of** 150 Public Shareholders each holding at least 1,000 shares **500,000** free-trading shares **20%** public shareholders	**No Agreement in Principle* with a private company**

* AS DEFINED IN TSXV POLICY 2.4 - CAPITAL POOL COMPANIES

SELLING THE SHARES

THE IPO PROCESS

The CPC files the preliminary prospectus with the appropriate securities commission(s), and applies for listing on TSXV.

- TSXV and the 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 a final prospectus.
- The securities commission will issue a final receipt as acceptance of the prospectus.
- This approval allows the CPC 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 meet the public distribution requirements.
- Once the IPO has been completed and closed, the CPC is listed for trading on TSXV. The symbol includes a **.P** to identify the company as a CPC.

LISTING OF THE CPC ON TSXV

THE QUALIFYING TRANSACTION

IDENTIFY AND EVALUATE POTENTIAL TARGETS & NEGOTIATE A QT

RESTRICTIONS ON CPCS	BENEFITS
Restrictions on uses of proceeds not directly related to the identification of QTs	• Protection of public capital • Preservation of working capital
Only common shares for cash, stock options and Agent's options can be issued	• Clean capital structure
CPC Founder shares escrowed until the completion of QT	• CPC Founders' economic interests are aligned with shareholders

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

QUALIFYING TRANSACTION AGREEMENT WITH TARGET AND ANNOUNCEMENT OF QT

- The CPC prepares a draft filing statement or information circular providing prospectus-level disclosure on the business that is to be acquired, and files with the Exchange, together with all supporting documents.
- TSX Venture Exchange reviews the disclosure document and evaluates the business, structure, and people to ensure that the Resulting Issuer will meet the Exchange's initial listing requirements.

TSXV CONDITIONAL ACCEPTANCE FOR THE QT

FILING OF FINAL DISCLOSURE DOCUMENT PUBLICLY

CLOSING THE DEAL

CLOSING THE QUALIFYING TRANSACTION

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.
- The **.P** from the ticker symbol is removed and the company now trades as a regular TSX Venture Exchange listed company.

LISTING OF NEW PUBLIC COMPANY

Sample Capital Structures

CPC CAPITAL STRUCTURE

COMMON SHARES	NUMBER OF SHARES	PRICE PER SHARE
CPC Seed Shares (CPC Founder's shares)	2,000,000	$0.05
CPC IPO Shares	4,000,000	$0.10
TOTAL ISSUED AND OUTSTANDING CPC SHARES	**6,000,000**	

PRIVATE COMPANY CAPITAL STRUCTURE

COMMON SHARES	NUMBER OF SHARES	PRICE PER SHARE
Management Founder Shares	6,000,000	$0.00
Initial Seed Capital from Friends and Families	8,000,000	$0.05
Seed Capital Round No.2	10,000,000	$0.10
Seed Capital Round No.3	12,000,000	$0.30
TOTAL ISSUED AND OUTSTANDING SHARES	**36,000,000**	

THE COMPANY RESULTING FROM COMBINING THE CPC AND THE PRIVATE COMPANY

MARKET PRICE OF CPC SHARES BEFORE THE ANNOUNCEMENT OF QT ASSUMED TO BE $0.15 (PRE-CONSOLIDATION)	SHARES	PRICE
CPC Issued and Outstanding Shares	**6,000,000**	**$0.15**
Consolidation 3 for 1	-4,000,000	
CPC Shares Total (Post-Consolidation)	**2,000,000**	**$0.45**
Shares issued for acquisition of Private Company	36,000,000	
Concurrent Private Placement	10,000,000	$0.55
TOTAL NUMBER OF SHARES ISSUED IN QT	**46,000,000**	
TOTAL ISSUED AND OUTSTANDING SHARES OF RESULTING ISSUER	**48,000,000**	

Very often, the QT is completed by way of a share exchange based on the comparative valuation of the CPC and the private company, resulting in the private company shareholders collectively owning a majority of the Resulting Issuer shares.

For a list of currently available CPCs or the full Policy 2.4 Capital Pool Companies, please visit

tsx.com/cpc

FOR MORE INFORMATION ON CPCS:

TORONTO
TSX Venture Exchange
Listed Issuer Services
Toronto
T 1 416 365-2210

MONTREAL
TSX Venture Exchange
Listed Issuer Services
Montréal
T 1 514 788-2410

CALGARY
TSX Venture Exchange
Listed Issuer Services
Calgary
T 1 403 218-2804

VANCOUVER
TSX Venture Exchange
Listed Issuer Services
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