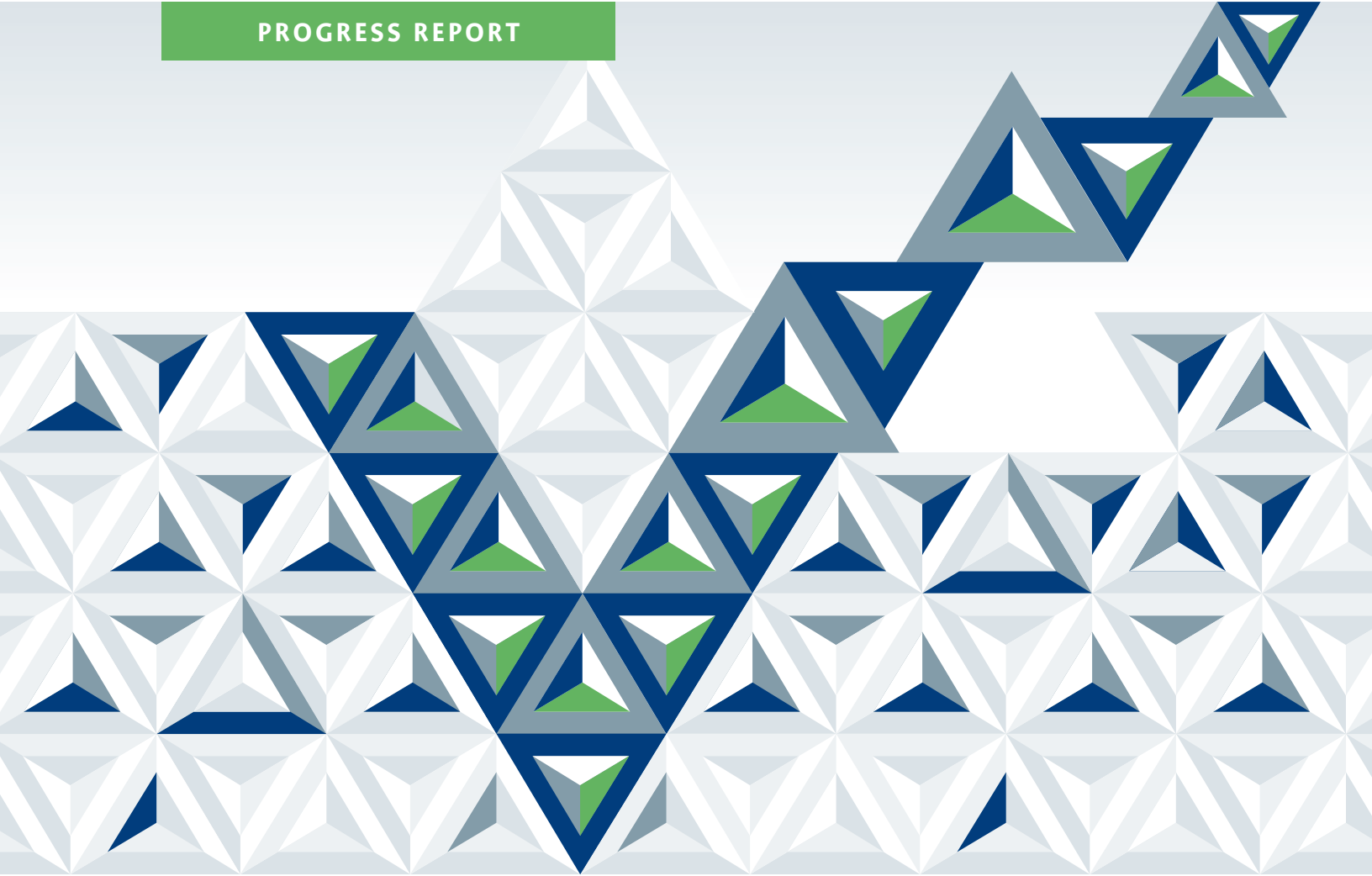


REVITALIZING TSX VENTURE EXCHANGE CANADA'S PUBLIC VENTURE MARKET

JULY 2016

PROGRESS REPORT



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PROGRESS REPORT

On December 17, 2015 TSX Venture Exchange (TSXV) published a **White Paper** that included plans to revitalize Canada's public venture market through a series of targeted initiatives. We have undertaken to make a positive and tangible impact for the benefit of all market participants.

OUR COMMITMENT:

- We will reduce our clients' administrative and compliance costs, in a meaningful way, without compromising investor confidence.
- We will expand the base of investors financing companies and generally enhance liquidity.
- We will diversify and grow the stock list to increase the attractiveness of the marketplace overall.

You may recall that we published a report in **March 2016** to update you on our efforts to revitalize Canada's public venture market. In the March report we itemized progress on the tactics we had previously identified in the White Paper that will help us achieve the above mentioned three strategic objectives. The March Progress Report also summarized the feedback we received from stakeholders from across Canada relating to our mission to revitalize TSXV. This report is intended to provide details on further progress and also help spur additional momentum.

Please note that many of the tactics initially identified in the White Paper and cited here are subject to securities commission approval.

TSXV welcomes and encourages support and contributions from Canada's entire public venture community.

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KEY INITIATIVES

TSXV has taken significant steps to fulfill our commitments. We are making daily progress and many of the tactics identified in the December 2015 White Paper are already benefiting the market. Some of the tactics remain in progress as we continue to manage this multi-faceted initiative. We believe the momentum is evident and encouraging. Of note:

PERIODIC AUCTION PROPOSAL

On June 15, 2016 we presented a proposal to IIROC, BCSC, ASC, OSC and AMF¹ that could mitigate some of the concerns that public venture capital market stakeholders have expressed related to short selling, liquidity, electronic trading and issues associated with a fractured market structure. We believe that less actively traded early-stage public companies could benefit from periodic auction markets (also referred to as batch auction markets). This entails a system whereby orders to buy and sell securities are aggregated and matched at set times during the trading day, as opposed to trading in the continuous auction market.

We are examining the possibility of a periodic auction market exclusively for less liquid companies that choose to participate within this alternative trading model. A pilot program may be the best path forward and we will continue to work with securities regulators to explore that possibility. We will, of course, further engage public venture capital market stakeholders about this initiative before any decisions are made.

Features of a periodic auction market model could include two or more batch auctions per trading session. The expressions of interest to buy these shares and the expressions of interest to sell could be matched in a similar way to the existing “market on open” and the “market on close” system.

The ability for issuers to have a say in how their shares trade is an important aspect of this proposal. Other possible benefits of this model could include:

- **Reducing the volatility that can sometimes occur if short sellers hit successively lower bids in a short period of time.** Periodic auction markets will not prevent short selling. And most stakeholders agree that short selling is a healthy feature of the market. However, in a periodic auction market model, short selling—like any other order—can only occur at set auction times which would generally give the market time to digest and adjust to whatever trading occurred at the previous batch auction time.
- **Addressing concerns by some stakeholders about the advantages of, and the perceived disruptions caused by, electronic trading.** For a periodic market model to be effective, Canadian securities regulators would have to permit the issuers who trade within that model to elect to have their shares traded exclusively on a single market. By trading on a single market at set times during the day when buy and sell orders are aggregated, speed has no advantage.
- **Reducing brokerage firm trade execution costs.** Securities regulations will continue to require that dealers be connected to all trading markets in Canada; however, brokerage firms may see modest savings by avoiding “multiple fills” for issuers trading on a periodic auction market.
- **Enhancing liquidity.** We cannot definitively say today that periodic auction markets will enhance liquidity for the companies that elect to be traded that way. We hope that by aggregating buy and sell interest at set points in time for less liquid companies, there could be a better chance of matching those orders. As it stands, bids and offers for less liquid companies may miss each other in the continuous auction market model.

We believe the periodic auction market model is worth exploring further. We will continue to work with issuers, brokerage firms, IIROC, the securities commissions and other key stakeholders to stress test the theory.

¹ Investment Industry Regulatory Organization of Canada; British Columbia Securities Commission; Alberta Securities Commission; Ontario Securities Commission; Autorité des marchés financiers.

TSXV LIQUIDITYPRO SCHEDULED TO LAUNCH IN SEPTEMBER

On July 6, 2016 we announced a new market making service: TSXV LiquidityPro™, which is scheduled to launch in September 2016. The new service is designed to enhance liquidity for TSXV-listed companies. The program allows issuer clients to select from a pool of pre-qualified TSXV LiquidityPro Providers (LPPs) that can provide quotation services, facilitate price discovery and increase overall liquidity—all under the oversight and governance of TSXV. The program is optional for issuer clients who wish to retain the services of an LPP. The LPP's fees will vary depending on the terms of engagement. Key features of TSXV LiquidityPro include:

- A centrally managed competitive bidding process for licensed and pre-qualified TSXV LPPs.
- Monthly reporting to issuers providing full transparency around their LPP's performance and activity.
- TSXV quality governance and administrative services.

In other words, we will help TSXV companies track the LPP's performance based on the LPP's contractual obligations.

POLICY AMENDMENTS THAT COULD SIGNIFICANTLY REDUCE COSTS

Subject to regulatory approval, we propose to eliminate the “sponsorship” requirement for TSXV companies. We will not however abandon the notion of independent due diligence. We believe that independent due diligence of a company at the time it goes public is vital to maintaining market integrity, and therefore investor confidence. Having said that, there are many ways to conduct due diligence that do not require sponsorship.

The proposed removal of the sponsorship requirement will allow TSXV to be more flexible in the way we derive comfort that there are no misrepresentations of material facts in a company's disclosure document. This change, along with some of the other changes we are making—particularly changes relating to shareholder approval requirements—will materially benefit companies going public via a reverse takeover (RTO) transaction or a Qualifying Transaction with a Capital Pool Company. The changes will also materially benefit companies undertaking Change of Business transactions—all without compromising market integrity.

Using the example of a simple RTO transaction, we believe these changes can reduce the cost of going public on TSXV by as much as 40%. The savings are realized if the cost of sponsorship can be eliminated and the issuer's costs associated with the shareholder meeting can be reduced.

OUR COMMITMENT

WE WILL REDUCE OUR CLIENTS' ADMINISTRATIVE AND COMPLIANCE COSTS, IN A MEANINGFUL WAY, WITHOUT COMPROMISING INVESTOR CONFIDENCE.

ACTION

Eliminating the general requirement for sponsorship

UPDATE

- ✓ Policy revisions remain in progress and are intended to be formally implemented in the third quarter of 2016 following regulatory approval.
- ✓ There will be substantial flexibility in the new model.

Revising the Exchange's shareholder approval requirements

- ✓ We have submitted the proposed policy changes and are awaiting securities commission approval.
- ✓ Once the policy revisions are approved, shareholder approval will not generally apply to inactive companies completing an arm's length Reverse Takeover or Change of Business transaction.

Recognizing active and proven directors and officers

- ✓ A TSXV action team, working closely with clients, has now finalized recommendations for the criteria for a "Venture Professional" and the benefits that should accrue to clients who meet the criteria.
- ✓ Policy amendments are being drafted for securities commission approval to introduce the concept of a "Venture Professional".

Extending the interval to renew a Personal Information Form to five years from three.

- ✓ Policy amendments relating to this tactic are scheduled to commence in the third quarter of 2016.

Providing automated online filings

- ✓ Automated online filings are now available for private placement transactions.
- ✓ Electronic payment processes will be introduced in August 2016 and additional online filings are under development.

Acceleration of transaction processing

- ✓ We recently received securities commission approval to discount our filing fee by \$500 if we do not respond to certain filings within three business days.

Deferring to "national escrow" and eliminating Tier I and Tier II

- ✓ Policy amendments relating to this tactic are scheduled to commence in the third quarter of 2016.

OUR COMMITMENT

WE WILL EXPAND THE BASE OF INVESTORS FINANCING COMPANIES AND GENERALLY ENHANCE LIQUIDITY.

ACTION

Bolstering programs to create more positive awareness of Canada's public venture market and to showcase TSXV-listed companies

Leading an action team with a goal to reduce the barriers to U.S. investors wishing to participate in the Canadian market

Working to facilitate more direct communication between issuers and investors

Introducing a Market Making program on TSXV

Introducing new investor analytics programs and research products

Engaging with IROC to obtain clarity regarding the application of IROC's investor suitability standards

Simplifying TSXV continued listing requirements and helping companies to reactivate from NEX

Advocating for additional prospectus exemptions

Promoting financial literacy and capital markets education in universities and colleges across Canada

UPDATE

- ✓ The **TSX Venture 50**[®] program was significantly enhanced this year to increase the awareness of the ranked companies and the marketplace overall.
- ✓ TSXV-listed mining companies were featured in our buy side roadshow in mid-April, at events in London and Zurich. Over 50 fund managers met with TSXV-listed companies.
- ✓ TSXV technology and energy companies will be featured in upcoming investor days.
- ✓ Investor webinars featuring other TSXV-listed companies are planned.

- ✓ There are no simple solutions to this issue. The team has identified specific issues and barriers, and we will continue to seek solutions.

- ✓ The **TSX investinit**[™] website and app were recently launched to stream summaries of treasury offerings from TSXV- and TSX-listed companies.

- ✓ On July 6 we announced a new market making program—TSXV LiquidityPro—for TSXV listed companies. See details on page 4.

- ✓ A new stock screening tool – **TSX Discovery** – was recently introduced to help investors identify companies of interest to them by using numerous parameters.

- ✓ Please see the Appendix to our **March Progress Report** for an excerpt of IROC's guidance regarding investor suitability.

- ✓ Policy amendments relating to this tactic are scheduled to commence in the third quarter of 2016.

- ✓ We have had conversations with regulators in Ontario and Quebec (OSC and AMF) and have advocated for a “dealer exemption” such as that introduced in other provinces earlier this year.

- ✓ The **Voleo TSX Equity Trading Competition** was a great success with participation by over 75 universities and colleges. We plan to continue the program in partnership with Voleo in the next school year.

OUR COMMITMENT

WE WILL DIVERSIFY AND GROW THE STOCK LIST TO INCREASE THE ATTRACTIVENESS OF THE MARKETPLACE OVERALL.

ACTION

Hiring a dedicated team to bring new companies to our marketplace from diverse industries, and to help these companies secure financing

UPDATE

✓ We are currently recruiting for these positions.

Revising the Capital Pool Company program

✓ Policy amendments relating to this tactic are scheduled to commence in the third quarter of 2016.

Customizing TSXV policies to the needs of innovation companies

✓ A TSXV action team, working closely with clients, has finalized recommendations for policy changes specifically designed for innovation companies.

✓ Policy amendments are being drafted for securities commission approval.

Increasing our efforts to ensure private equity firms, VCs and angel investors consider TSXV as an effective exit strategy for early-stage companies

✓ This work is ongoing and is embedded in our business development efforts.

Exploring alliances with other exchanges that could benefit our clients

✓ We have initiated a number of conversations with exchanges around the world.

Engaging with Exchange Traded Fund manufacturers to develop new TSXV investment products

✓ As expected, this tactic has proven to be challenging. We will continue our efforts.

Advocating for early-stage public companies to be fully eligible for the refundable investment tax credit (ITC) under the Canadian Government's Scientific Research and Experimental Development (SR&ED) program

✓ On February 19, 2016 we made a formal submission to the House of Commons' Standing Committee on Finance, advocating for equal treatment for small and early-stage public companies under this program.

Advocating for solutions to stakeholder concerns related to fractured market structures and short sale rules

✓ As discussed in more detail on page 3, we have submitted a proposal to IIROC and the CSA that we believe will help with these issues.

MOVING FORWARD


We will continue to push ahead with actions outlined in the December 2015 White Paper and those subsequently introduced based on client input. The feedback we have received since December has been valuable and encouraging. We are confident the initiatives we have outlined are on the right track and will deliver tangible benefits to our clients and stakeholders.


We will be sure to share additional information and progress updates with the broader community as we move forward. We are on this journey together.

LET'S CONTINUE THE CONVERSATION

We believe the broader community will ultimately drive the success of Canada's public venture market. TSXV encourages all members of the venture community to continue to share your views with us. We have established a wider social media presence to help make that a reality.

You can contribute to the conversation in a number of ways:

 [TSX Venture Exchange](#)

 [@TMXGroup](#) [#revitalizingTSXV](#)

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WE LOOK FORWARD TO HEARING FROM YOU



This document is a summary. Actions and proposals discussed in this document are subject to change and may be subject to regulatory approval.

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