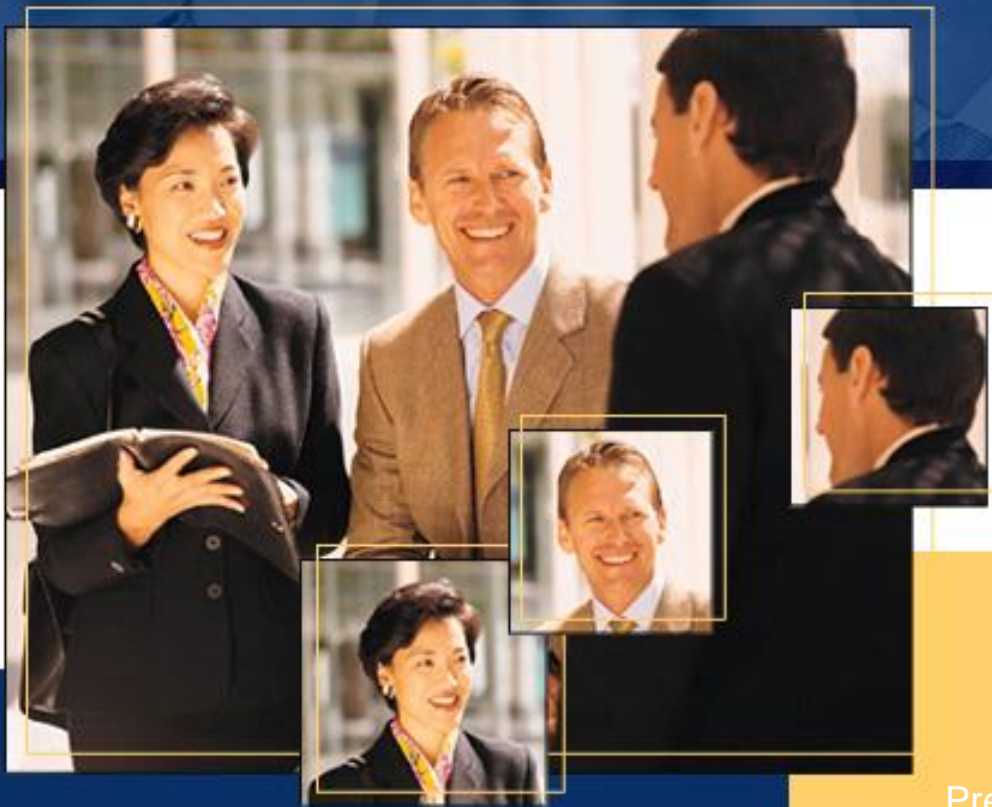


# Going Public in Canada



## The TSX Group of Exchanges

Presented October 18, 2007 in Seoul Korea at the  
2007 Venture Korea Conference

# DISCLAIMER

**Informational Purposes Only:** The materials and information contained in this presentation are intended to provide information (not advice) about the listing on the TSX or TSX Venture Exchange in Canada and the process. You should not act on this information without first consulting with an attorney. The law is constantly changing and the “going public” process in Canada or the best method to “go public” can only be determined on a case by case basis.

**No Attorney-Client Relationship Created:** This information on this presentation is not intended to create, and receipt of it does not constitute, an attorney-client relationship having been created by us with you or anyone else. Do not send us confidential information until you speak with us and receive our authorization to send that information to us. The act of talking to us informally or sending an Email to us will not create an attorney-client relationship. If you are not currently a client of Venture Law Corporation, your Email will not be considered privileged and may be disclosed to other persons.

**No Warranties:** The information provided in this presentation, is provided "as is." We make no warranties, representations, or claims of any kind concerning the information presented is complete. We are not responsible for any errors or omissions in the content of this presentation or for damages arising from the use of the information provided under any circumstances.

# AGENDA

- Introduction to the TSX Group of Exchanges
  - Where does the TSX Group fit in globally
  - TSX Group history with technology small cap companies
  - TSX Group versus AIM
- Why chose to list on a Canadian Exchange
  - Advantages and benefits to Korean companies
- TSX Group listing requirements
  - General
  - TSX requirements for technology companies
  - TSX Venture requirements for technology companies
- How to list on the TSX
  - Methods to listing (Direct, IPO, RTO, QT)
  - Getting ready and preliminary matters
  - Special considerations for Korean Companies
  - Time lines (Case examples)
- Panel Questions & Comments



# Introduction to the TSX Group of Exchanges



# Introduction to the TSX Group of Exchanges

There are four stock exchanges in Canada: the TSX; TSX Venture Exchange; the TSX NEX Board; and the CNQ. Our focus today is on the TSX Group of Exchanges.

As Canadians we often prefer to allow the facts to speak for us. We want to briefly run through what those facts are as they relate to the TSX Group of Exchanges in the following areas:

- Where the TSX Group fit in globally compared to other exchanges;
- TSX Group history with technology small cap companies; and
- TSX Group versus AIM.

# TSX Group is a world leading marketplace

## Access to Capital

**TSX Group's equity exchanges are among the best markets in the world for raising public equity capital**

- 5<sup>th</sup> in the world in 2006
- 5<sup>th</sup> in the world in 2005

*Source: World Federation of Stock Exchanges  
By total dollar amount raised*

## Large Peer Group

**TSX Group is 2<sup>nd</sup> in the world and 1<sup>st</sup> in North America by number of listed public companies**

- 1,623 on TSX
- 2,115 on TSX Venture Exchange
- 158 on NEX

## Size

**TSX Group is 7<sup>th</sup> in the world and 3<sup>rd</sup> in North America by total listed company market capitalization**

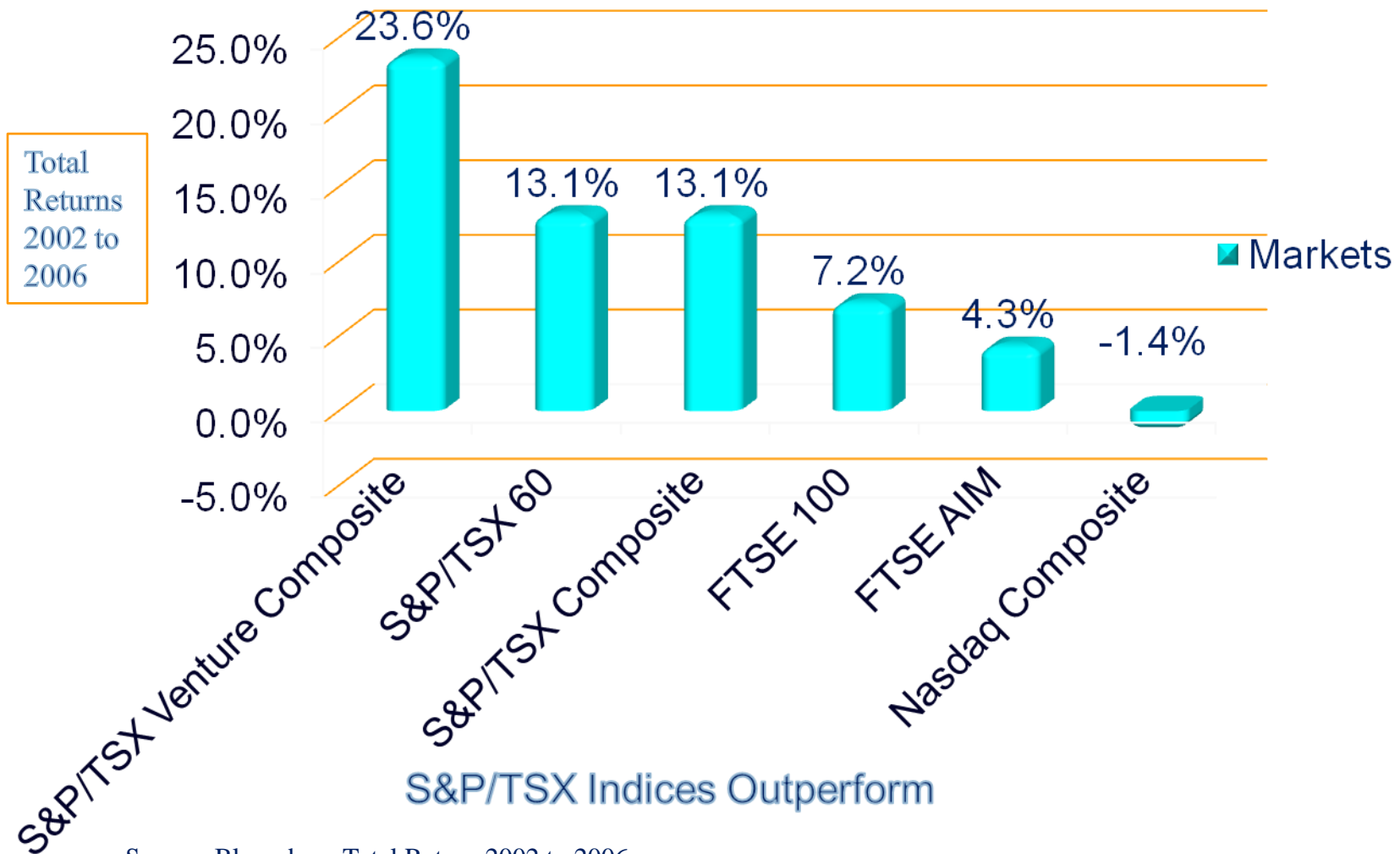
*Sources: Exchange websites, World Federation of Exchanges, (TSX analysis of public information as of June 2007)*

# TSX Group is the World's 8th Largest Stock Exchange

Stock Exchange	Market Capitalization (US\$ Billions)	Number of Listed Companies	2006 Total Value Traded (US\$ Billions)
1 NYSE	16,428,558	2,283	21,789,392
2 Tokyo	4,674,473	2,417	5,824,867
3 Nasdaq	4,182,155	3,104	11,807,491
4 London	3,940,830	3,301	7,583,762
5 Euronext	4,085,359	1,194	3,805,260
6 Osaka	211,542	476	262,954
7 Hong Kong	2,027,998	1,206	832,386
<b>8 TSX Group</b>	<b>1,979,163</b>	<b>3,903</b>	<b>1,282,478</b>
9 Deutsche Borse	1,902,587	755	2,741,608
10 BME Spanish Exchanges	1,534,263	3,458	1,941,227
11 Swiss Exchange	1,305,509	344	1,395,567
12 OMX	1,344,262	840	1,332,732
13 Australian	1,344,262	1,914	860,663
14 Borsa Italiana	1,071,506	304	1,596,199
15 Shanghai	2,033,343	852	738,859
24 Amex	284,546	585	601,188

Source: World Federation of Exchanges; Ranked by Domestic Market Capitalization, July 31, 2007

# TSX Group Indices Compared to World's Benchmark Indices



Source: Bloomberg Total Return 2002 to 2006



# Canadian Markets at a Glance

	TSX Venture	TSX	CNQ
	2006	2006	2006
Listed Companies	2,080	1,598	71
Total Market Cap	<b>\$54.9 B</b>	<b>\$2,061.3 B</b>	\$1+ B
Median Market Cap	\$7.5 M	\$143.6 M	-
Average Market Cap	\$26.4 M	\$1.29 B	\$15.4 M
Financings	\$7.9 B	\$41.8 B	\$99.6 M
Average Financing	<b>\$3.0 M</b>	<b>\$53.9 M</b>	\$1.8 M
Going Public Activity	281*	197	26
Graduates	67 to TSX	-	-

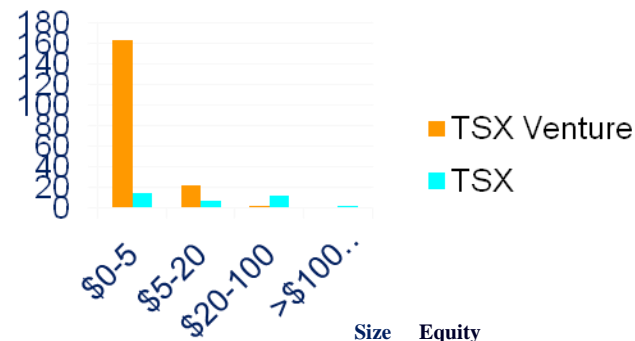
Source: TSX

# TSX Group History with Technology Small Cap Companies

## TSX: A strong market for small and mid-sized tech financings

TSX Group Technology Sector					
	2002	2003	2004	2005	2006
Listed Companies	479	386	354	356	346
Total Market Capitalization (C\$)	\$38.7 B	\$67.0 B	\$73.8 B	\$64.6 B	\$73.8 B
Financing (C\$)	\$2.03 B	\$0.649B	\$0.649 B	\$0.975 B	\$1.8 B
Total Volume Traded	11.3 B	12.0 B	12.0 B	8.3 B	8.5 B

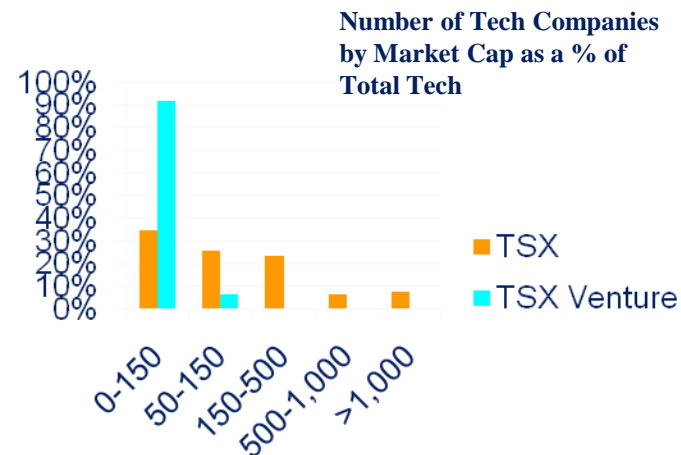
Distribution of 2006 Tech Equity Financings C\$



## Technology: Breakout by Toronto Stock Exchange and TSX Venture Exchange

	TSX Technology	% of TSX Total	TSX-V* Technology	% of TSX-V* Total
Listed technology issuers	117	7%	229	11%
Total market cap	C\$71.1 bn	3%	C\$2.8 bn	5%
Trading (2006):				
Value of shares	C\$50.3 bn	4%	C\$1.0 bn	3%
Volume of shares	6.5 bn	8%	2.0 bn	5%

## TSX Group has significant strength in small-cap tech companies



# TSX Group Stronger as a Listing Market for Tech Companies than AIM

More Technology Listings

Greater Follow-on Financings

Greater Trading Liquidity

Greater Analyst Coverage

Cost Effective Access to Public Capital



# TSX Group Versus AIM: Total Technology Company Listings and Value

	YTD June 2007			AIM
	TSX	TSX Venture Exchange	TSX and TSX Venture	
Number of Tech Issuers Listed	114	227	341	251
Quoted Market Value (C\$ Billions)	\$83.2	\$3.8	\$87.0	\$22.4
New Tech Issuers	5	7	12	17
Equity Capital Raised (C\$ Billions)	\$0.3	\$0.3	\$0.6	\$0.8
Volume Traded (Billions of Shares)	2.4	1.9	4.2	8.5
Value Traded (C\$ Billions)	\$29.9	\$1.0	\$30.9	\$4.2
Number of Trades (Millions)	2.7	0.2	3.0	0.2

Source: World Federation of Exchanges; Ranked by Domestic Market Capitalization, July 31, 2007

# TSX Group versus Aim: Follow through financings

## IPO/New Issue Financings C\$ Millions



## Secondary/Further Issue Financings C\$ Millions



# TSX Group Versus AIM: Liquidity

## Value of TSX and AIM Tech Shares Traded C\$ Billions

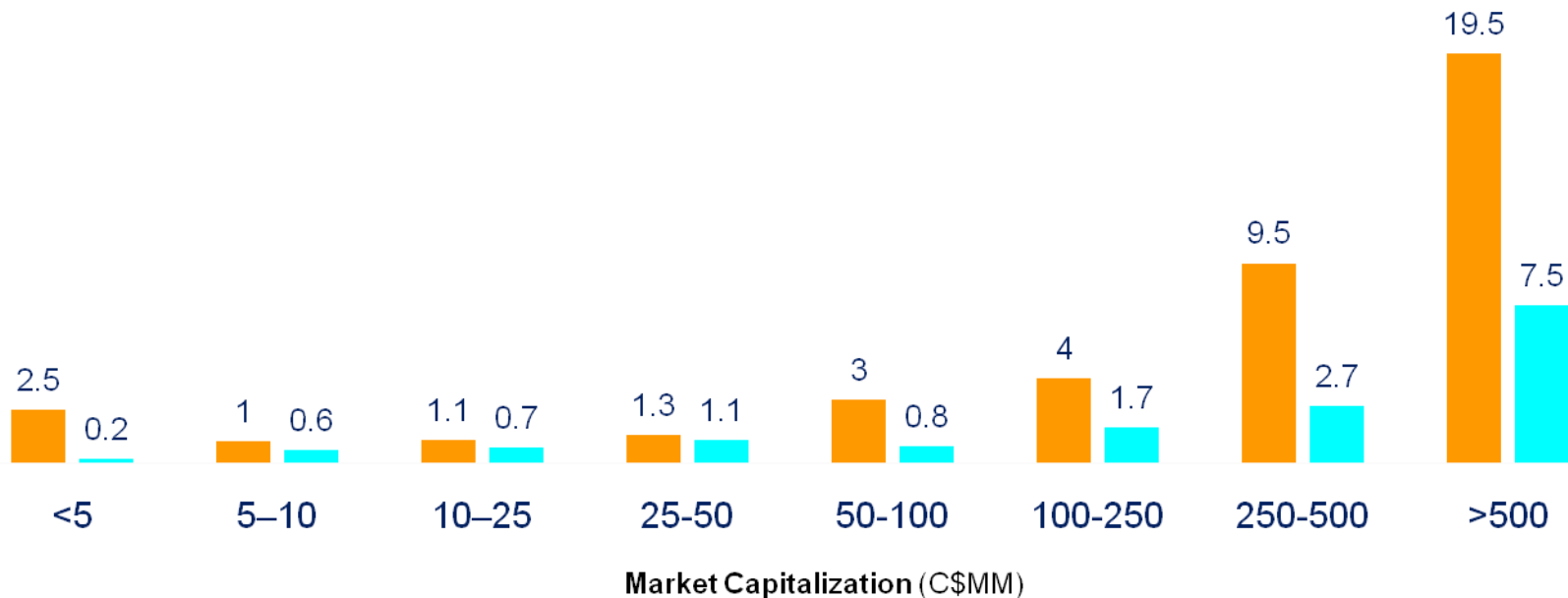


Technology Sector 2006	TSX	AIM		TSX	AIM
<b>Value:</b>			<b>Transactions:</b>		
Total Value	\$50.3 Billion	\$7.5 Billion	Total Transactions	5,031,167	301,452
Average Daily Value	\$200.4 Million	\$29.9 Million	Average Daily Trans.	20,044	1,201

# TSX Group Versus AIM: Analyst Coverage

## Average Number of Analysts by Size of Technology Company

■ TSX ■ AIM



TSX technology companies average 5 analysts per company  
AIM Technology companies average 1 analyst per company.

# TSX Versus AIM: Cost

- The cost of going public varies depending on the type of listing, industry of the issuer, and level of complication involved;
- The cost of listing on the TSX varies from \$200,000 to over \$1,000,000;
- The cost of listing on the TSX Venture Exchange varies from \$80,000 to over \$500,000; and
- The cost of listing on AIM is 37.3% of all funds raised in financing under \$4,000,000.



# Break-Down of Costs to List on TSX and TSX Venture Exchange

Costs	TSX	TSX-V
<b>Stock Exchange Fees</b>	C\$15,000-\$200,000	C\$7,500-\$30,000
<b>Securities Commission fees</b>	C\$10,000-\$200,000	C\$5,000-\$50,000
<b>Investor Relations</b>	C\$30,000	C\$10,000
<b>Underwriter fees/ Sponsor</b>	6-10% of offering plus costs	6-10% of offering plus costs C\$20,000-\$50,000 depending on whether IPO, CPC or reverse merger
<b>Legal fees</b>	C\$30,000-300,000 depending on complication of statement	C\$30,000-\$100,000 depending on whether IPO, CPC or reverse merger
<b>Accounting/Audit fees</b>	C\$30,000 to \$200,000 depending on complication	C\$15,000-\$80,000 depending on complication
<b>Printing costs</b>	approx. C\$15,000-\$150,000	approx. C\$5,000-\$100,000

**Note:** These are approximate averages only.

# Why Choose to List in Canada?



# TSX Group Advantages

- Financing flexibility: \$500k to \$20 million;
- Multiple financing rounds = more ground-floor investing opportunity;
- Strong retail investor group 49% of Canadian adults hold stock;
- Stock can be used as acquisition currency;
- Employment stock options;
- Mentoring role;
- Stepping stone to senior markets;
- Streamlined graduation path to Toronto Stock Exchange;
- Access to US market without US cost, liability exposure, or SOX;
- Flexible corporate governance approach;
- Listing standards attainable at earlier stages for technology companies;
- Analyst coverage and liquidity for small caps;
- Flexible corporate governance approach, particularly for TSX Venture companies;
- Government does not play a gatekeeper role in stopping qualified companies from listing; and
- Cost effective at time of listing and ongoing maintenance of listing.





# TSX Group Listing Requirements for Technology Companies

# TSX Group Serves Companies at Different Stages of Development



2,115 companies

## TSX Venture Exchange

- Access to capital for earlier stages companies or smaller financings
- Cost effective stepping stone for international companies looking to list on a quality North American Market
- Exchange mandate to mentor management of newly public companies
- Streamlined graduation to TSX when senior market requirements are met
- 101 year history

67 companies graduated to senior market in 2006



1,623 companies

## Toronto Stock Exchange

- Senior market for well established businesses and management teams with experience in public markets
- Access to larger and more international institutional investor and greater analyst coverage
- Globally visible specialized indices
- 155 year history

\* 39 companies graduated to TSX as of June 30, 2007

**Total of 3,738 listed companies\***

\*As at June 30, 2007 (excludes NEX)

# TSX Group: General Listing Requirements

	TSX Venture	TSX
<b>Management &amp; Board of Directors</b>	<ul style="list-style-type: none"> <li>• Relevant experience &amp; expertise related to business</li> <li>• Adequate public company experience</li> <li>• Two independent directors (TSX usually has three)</li> <li>• TSX requires audit committee to be independent and financially literate</li> </ul>	
<b>Distribution to the Public</b>	<ul style="list-style-type: none"> <li>• 200 public stockholders</li> <li>• 500,000 shares publicly held</li> <li>• Min \$500,000 in public float</li> <li>• Min 20% public float</li> </ul>	<ul style="list-style-type: none"> <li>• 200 public stockholders</li> <li>• 1,000,000 shares publicly held</li> <li>• Min \$4 m public float (\$10 m for technology companies)</li> <li>• Min \$50 m public float for technology companies (no minimum share price)</li> </ul>
<b>Sponsorship</b>	<ul style="list-style-type: none"> <li>• Generally required for IPOS, RTOs and QT with CPC</li> <li>• Letter from Canadian registered broker/dealer commenting on company's ability to meet obligations as a public company</li> </ul>	
<b>Financial Requirements</b>	<ul style="list-style-type: none"> <li>• Audited financial statements with interim statements required to period up to 60 days prior to filing</li> <li>• Audit firm must be registered with Canadian Public Accountability Board ("CPAB")</li> </ul>	

# TSX: Listing Criteria for Tech/Industrial Companies

Criteria	Senior	Profitable	Forecasting Profit	R & D	Tech
Public Distribution • # shareholders • Public float – shares • Public float - \$ • Total market value	300 1 million \$4 million N/A	300 1 million \$4 million N/A	300 1 million \$4 million N/A	300 1 million \$4 million N/A	300 1 million \$10 million \$ 50 million
Financial Requirements • Net tangible assets • Pre-tax earnings • Pre-tax cash flow • Cash in treasury <sup>2</sup> • Sufficient funds <sup>3</sup> • Working capital • Capital structure	\$7.5 million \$300K \$700/\$500 N/A N/A Adequate Adequate	\$ 2 million \$200K \$500 N/A N/A Adequate Adequate	\$7.5 million \$300K <sup>1</sup> \$500 <sup>1</sup> N/A N/A Adequate Adequate	N/A N/A N/A \$12 million 2 years <sup>3</sup> Adequate Adequate	N/A N/A N/A \$10 million 1 year <sup>3</sup> Adequate Adequate
Other Criteria • Product/service • Operating history				Ability to commercialize 2 years	Advanced stage

1. Forecast for current or next fiscal year
2. Raised via prospectus
3. Funds to cover expenses, R&D, and capex

# TSX Venture Exchange Listing Criteria for Tier 1: Technology or Industrial

	Category 1	Category 2	Category 3
Net Tangible Assets (incl. IPO \$)	\$1 M	\$5 M	N/A
Earnings Before Tax	\$100,000	N/A	\$200,000
Working Capital	18 mos	18 mos + \$100K	18 mos
Publicly Held Shares	1 M	1 M	1 M
Public Market Capitalization	\$1 M	\$1 M	\$1 M
Number of Shareholders	200	200	200
Percentage Held by Public	20%	20%	20%

• R&D MLR: Similar to Category 2 but \$1,000,000 in prior R&D required and a \$1,000,000 program must be recommended.



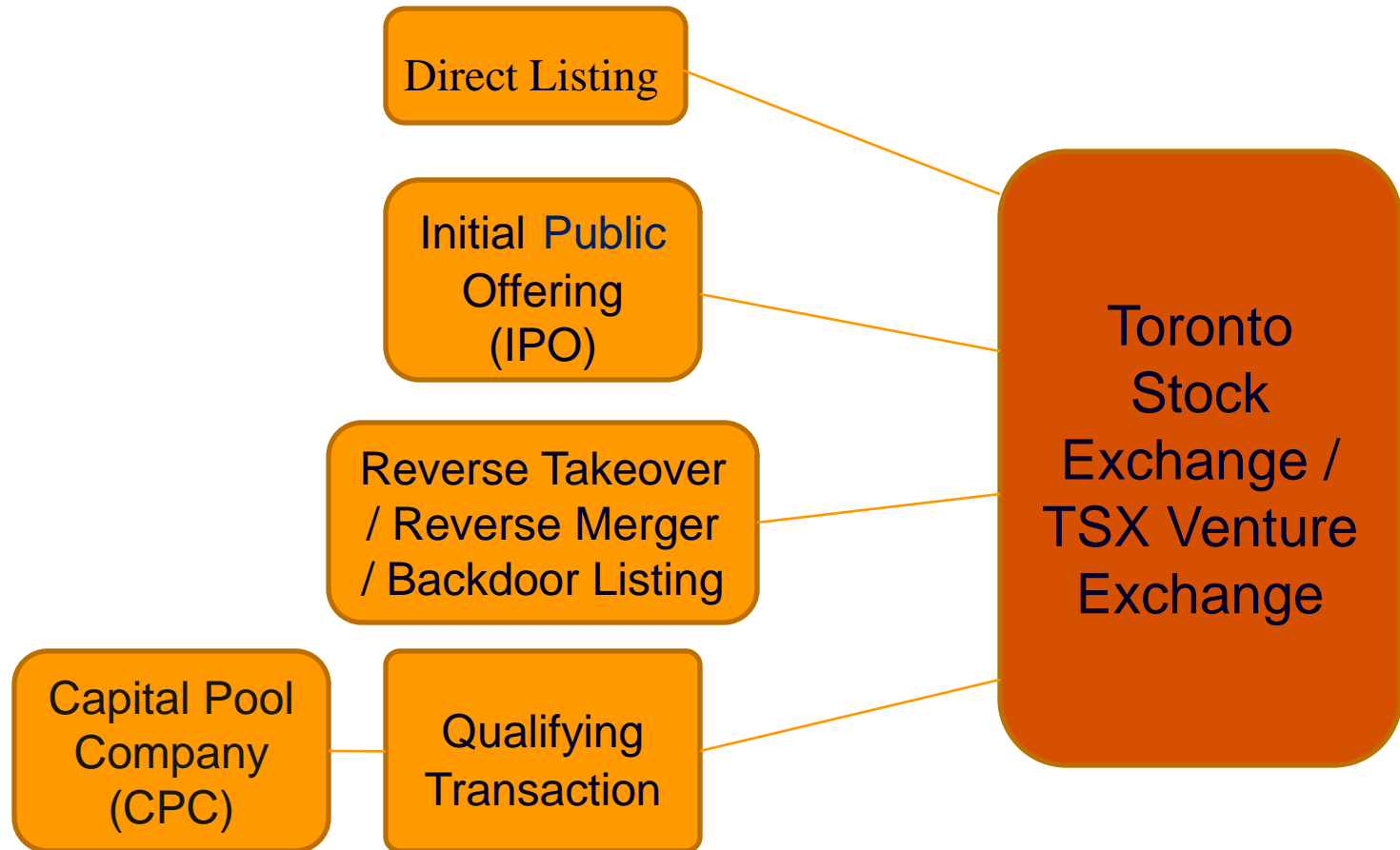
# TSX Venture Exchange Listing Criteria For Tier 2: Technology or Industrial

	Category 1	Category 2
Net Tangible Assets (incl. IPO \$)	\$500,000	\$750,000
Earnings Before Tax	\$50,000	N/A
Prior Expenditures or Revenue	N/A	\$250,000
Working Capital	12 mos	12 mos + \$100K
Other	N/A	Sufficient testing to show commercial viability
Minimum IPO Price	\$0.15	\$0.15
Publicly Held Shares	500,000	500,000
Number of Shareholders	200	200
Percentage Held by Public	20%	20%

# How to List on the TSX Venture Exchange



# TSX Group Listing Options



# Getting Ready to Start Listing Process: Preliminary Matters

- Update your business plan (next 24 months);
- Bring your financial statements up to date and confirm you have the documents necessary for those statements to be audited;
- Test the marketability of your story with market professionals;
- Engage legal counsel, auditors and if applicable an underwriter;
- Clean-up your corporate record book, prior share issuances, loans to directors or officers etc.;
- Gather up all your key documents such as: contracts; licenses; patents; debt instruments; employment agreements; business licenses; suppliers and sales agreements; etc.;
- Examine your board of directors and officers and fill in any weak areas; and
- Obtain an independent valuation of your technology.



# Document Preparation

Putting together the main disclosure documents can be very time intensive for management and the professionals engaged in this process. It can be quite disruptive to the business of a company and you should plan accordingly. The main documents are as follows:

- Main Filing document such as a prospectus (IPO or financing); information circular (RTO); and QT filing statement;
- Agency Agreement/Sponsorship Agreement;
- Transfer agent agreement and escrow agreement (if applicable);
- Listing application to exchange;
- Audited and interim financial statements (usually three year audited and interim to period ended within 60 days from filing);
- Personal Information Forms of directors, officers, and 10% holders used to conduct background checks; and
- Sponsorship due diligence documents.

# Special Considerations for Korean Companies Listing on TSX Venture Exchange

- Foreign Property Rules lifted by Canadian Revenue Agency – no investment restrictions on foreign companies.
- Canadian regulatory commissions and exchanges are:
  - Customer-focused, and
  - Principles rather than rules based.
- Companies already listed on another senior market may be exempt from certain requirements:
  - Need to apply for continuous disclosure from securities commissions.
- Board and management must have adequate and relevant North American public company experience.
- Must have a plan for adequate shareholder base & distribution of shares to support a liquid market on TSX Venture Exchange.
- Canadian office not required.
- Recommend a contact person in Canada to be accessible for shareholders and analyst inquiries – investor relations key to strong market for shares.

# Time Line for IPO

## PACGEN Biopharmaceuticals Corporation

An international life sciences company with offices in Vancouver, B.C. and Hsinchu City, Taiwan, specializing in the development of innovative peptide therapeutics for the prevention and treatment of infectious diseases and immune system regulation diseases.

- Incorporated on April 23, 2004 under the laws of the Province of British Columbia.
- Two wholly-owned subsidiaries, Pacgen Biopharmaceuticals Corp. (Taiwan Branch), a company incorporated in Taiwan, and IL Therapeutics Inc., a company incorporated under the *Canada Business Corporations Act*.
- Filed a preliminary prospectus August 29, 2006.
- Signed formal Agency Agreement November 28, 2006.
- Final prospectus filed November 28, 2006.
- December 7, 2006 – Closed an IPO of 6,788,786 units on the TSX Venture Exchange, raising gross proceeds of \$7,128,225 (\$1.05 Unit).
- An international board, with directors from Taiwan, the US, and Canada
- Trades on the TSX-V under the symbol “PGA”.
- Four months from submission to cleared for sale and trading.

# IPO Steps

Step	Week	1	2	3	4	5	6	7	8	9	10-24
1. Board approves initial public offering & engages underwriter		■									
2. Preliminary due diligence by underwriter & legal counsel		■	■								
3. Begin drafting preliminary prospectus		■	■	■							
4. Board approves preliminary prospectus		■	■	■	■						
5. File preliminary prospectus, PIFS, & material documents		■	■	■	■						
6. Print commercial copies of preliminary prospectus		■	■	■	■						
7. Receive comments from securities regulators and respond		■	■	■	■	■					
8. Dry run road show presentation		■	■	■	■	■	■				
9. Meet with institutional & retail investor groups		■	■	■	■	■	■	■			
10. Pricing of initial public offering		■	■	■	■	■	■	■	■		
11. Final due diligence session		■	■	■	■	■	■	■	■		
12. Board approves final prospectus		■	■	■	■	■	■	■	■		
13. Final prospectus is filed and exchange listing agreement		■	■	■	■	■	■	■	■		
14. Commercial copies of final prospectus is printed and delivered		■	■	■	■	■	■	■	■	■	
15. Offering is closed and trading commences		■	■	■	■	■	■	■	■	■	■

May stretch to weeks.



# Canadian Pool Corporation (“CPC”)

- CPCs are exclusive to the TSX Venture Exchange. Their sole purpose is to conduct a reverse merger or acquire assets of a promising enterprise. A CPC, once it has completed its public offering (up to \$2 m) and been listed on the exchange, has 18 months to find a qualifying transaction (“QT”) or be de-listed.
- A QT filing document may take the form of an information circular or filing statement.
- Documents vetted by TSX-V only and rarely by Securities Commission.
- 1,765 CPCs have been listed since program inception (1987).
- 83% of all CPCs have completed their QT.
- 226 former CPCs currently trade on a senior exchange.
- 23% of the 39 graduates to TSX YTD June 2007 were CPCs.
- On average since 2002, 9% of TSX’s new listings were CPCs.

*Figures as at June 30, 2007*

# Time Line for CPC - QT

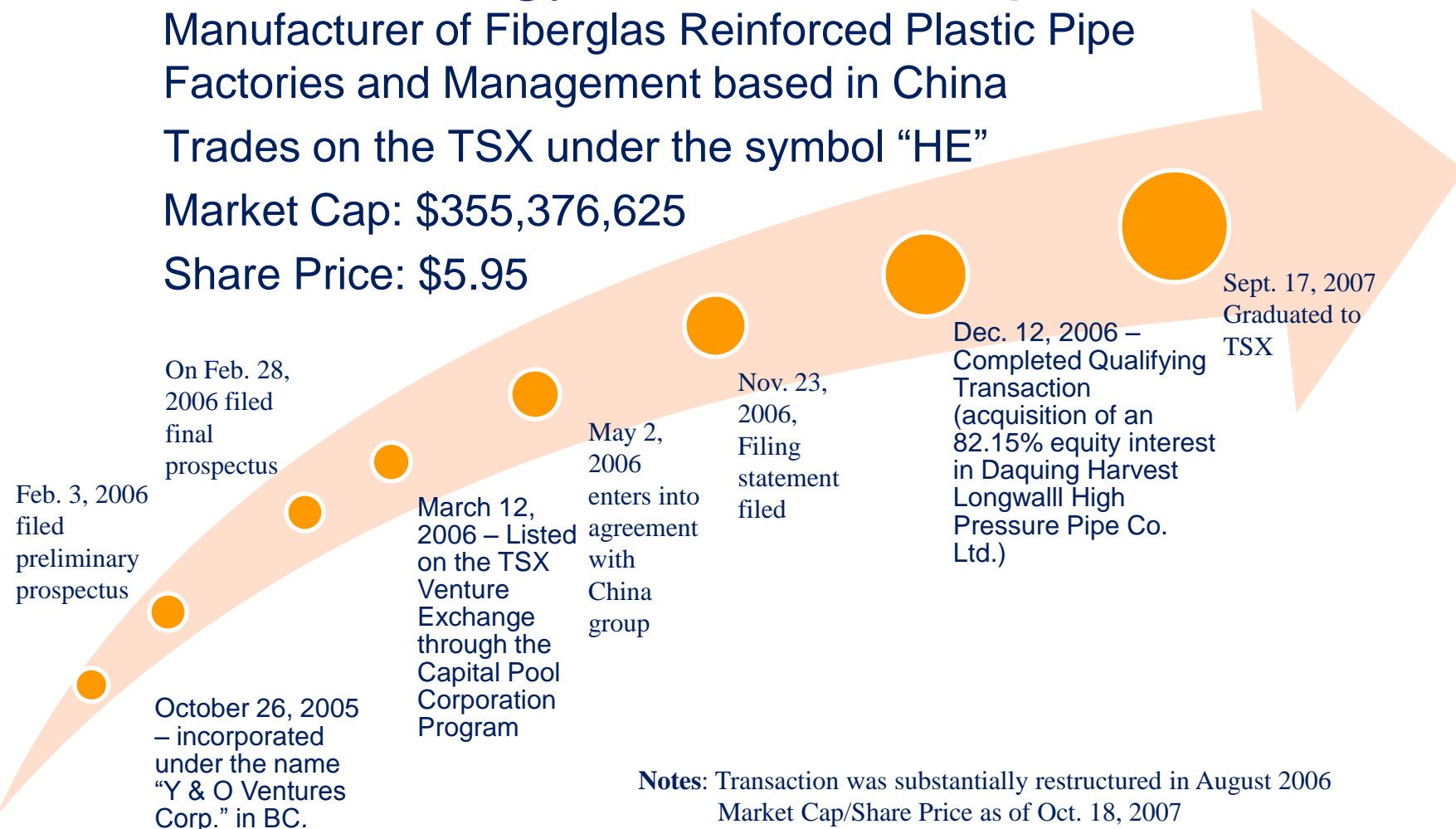
## Hanwei Energy Services Corp.

Manufacturer of Fiberglass Reinforced Plastic Pipe  
Factories and Management based in China

Trades on the TSX under the symbol "HE"

Market Cap: \$355,376,625

Share Price: \$5.95



**Notes:** Transaction was substantially restructured in August 2006  
Market Cap/Share Price as of Oct. 18, 2007

# CPC -QT Steps

Step	Week	1	2	3	4	5	6	7	8	9	10-16
1. Private Co ("PC") qualifies itself with CPC company ("Pubco")		■									
2. Preliminary meeting with TSX-V about PC and transaction structure/ Sponsor engaged and starts due diligence review		■	■								
3. Draft news release regarding transaction vetted by TSX-V		■	■	■							
4. PC and Pubco sign letter of intent and issue news release		■	■	■							
5. Pubco stock halted		■	■	■							
6. Independent valuation of business and audited statements finalized		■	■	■							
7. QT filing statement or information circular drafted ("Filing Statement")		■	■	■							
8. Draft Filing Statement, PIFs, sponsorship report, valuation, etc., filed with TSX-V		■	■	■	■						
9. Receive comments from TSX-V		■	■	■	■	■	■	■			
10. Respond to TSX-V comments and refiles draft Filing Statement		■	■	■	■	■	■	■	■		
11. Draft Filing Statement submitted to TSX-V Listing Committee & conditional approval provided		■	■	■	■	■	■	■	■	■	
12. Transaction between PC and Pubco closed along with any financing		■	■	■	■	■	■	■	■	■	■
13. Final documents confirming all conditions met filed with TSX-V		■	■	■	■	■	■	■	■	■	■
14. News release issued regarding close of transaction & documents filed on SEDAR		■	■	■	■	■	■	■	■	■	■
16. Trading re-commences		■	■	■	■	■	■	■	■	■	■

May stretch to weeks.

# Ongoing Disclosure Requirements

Once a company is listed on TSX-V, it becomes a reporting issuer with ongoing reporting and disclosure obligations. These obligations are imposed by the securities commissions and TSX-V and include:

- Annual and Interim Financial Statements and corresponding Management Discussion and Analysis of those statements (Annual 120 days; Interim 60 days);
- Annual meeting of shareholders;
- News release when a material fact or material change relating to the business and affairs of a company occurs;
- Material change reports (10 days);
- Insider reports (10 days);
- Material “Business Acquisition Reports” (75 days); and
- TSX-V pre-approval for certain transactions prior to closing.

# Question and Comments

## PANEL:

- Randy Peterson , Blackmont Securities Inc.;
- Jackie Koh, Canaccord Capital Corp.;
- Stephen Kim, INKE; and
- Alixe Cormick, Venture Law Corporation.



# Thank-You

Thank-you to the TSX Venture Exchange for generously sharing information to our group; and Korea Venture Business Association; Daewoo Securities Co., Ltd., and Meritz Securities Co., Ltd. who have supported this presentation.



## **Venture Law Corporation**

---

618 - 688 West Hastings Street

Vancouver, BC V6B 1P1

Phone: 604-659-9188

Fax: 604-659-9178

Email: [acormick@venturelawcorp.com](mailto:acormick@venturelawcorp.com)