



HOW TO GET YOUR CANNABIS COMPANY LISTED ON THE CANADIAN SECURITIES EXCHANGE

Why go public in Canada?

Canada has a robust capital market, as well as a strength in funding growth ventures in emerging industries. Getting access to funding opportunities can be facilitated by becoming a public company. In Canada, the main exchanges are the Toronto Stock Exchange (TSX), Neo stock exchange (NEO), the TSX Venture Exchange (TSX-V), and the Canadian Securities Exchange (CSE).

In regards to the Cannabis industry, the Toronto Stock Exchange and the TSX Venture Exchange will only list companies if the activity is federally legal in the country where the headquarters are located.

Since the cannabis industry is not federally legal in the US, the best option for Cannabis entities is to go public on the Canadian Securities Exchange.

As of June 2022, there are 79 companies in the cannabis industry listed in the Canadian Securities Exchange, representing almost ten percent of the total of listing companies (788 listing in total).

Company	Symbol	Industry	Identifier	Indices	Trading
Adastra Holdings Ltd.	XTRX	Life Sciences	Cannabis	CSE Composite	6-Jan-20
Agra Ventures Ltd	AGRA	Life Sciences	Cannabis	CSE Composite	1-Sep-15
Ayurcann Holdings Corp	AYUR	Life Sciences	Cannabis	CSE Composite	8-Apr-21
BevCanna Enterprises Inc.	BEV	Life Sciences	Cannabis	CSE Composite	2-Jul-19
BioHarvest Sciences Inc.	BHSC	Life Sciences	Cannabis	CSE Composite	23-Apr-20
Blueberries Medical Corp.	BBM	Life Sciences	Cannabis	CSE Composite	6-Feb-19
BYND Cannasoft Enterprises Inc	BYND	Life Sciences	Cannabis	CSE Composite	26-Apr-21
Cannabix Technologies Inc.	BLO	Technology	Cannabis	CSE Composite	1-Sep-15
Canntab Therapeutics Limited	PILL	Life Sciences	Cannabis	CSE Composite	20-Apr-18
Captiva Verde Wellness Corp.	PWR	Life Sciences	Cannabis	CSE Composite	10-Oct-18
Captor Capital Corp	CPTR	Diversified Industries	Cannabis	CSE Composite	30-Oct-17
Choom Holdings Inc.	CHOO	Life Sciences	Cannabis	CSE Composite	22-Nov-17
Christina Lake Cannabis Corp	CLC	Life Sciences	Cannabis	CSE Composite	1-Oct-20
City View Green Holdings Inc.	CVGR	Diversified Industries	Cannabis	CSE Composite	5-Mar-19
CordovaCann Corp.	CDVA	Life Sciences	Cannabis	CSE Composite	8-Aug-18
Emerald Health Therapeutics, Inc.	EMH	Life Sciences	Cannabis	CSE Composite	27-Apr-21
Gaia Grow Corp.	GAIA	Life Sciences	Cannabis	CSE Composite	16-Apr-20
Global Cannabis Applications Corp.	APP	Technology	Cannabis	CSE Composite	1-Sep-15
Global Wellness Strategies Inc.	GWS	Diversified Industries	Cannabis	CSE Composite	14-Aug-18
Glow LifeTech Corp	GLOW	Technology	Cannabis	CSE Composite	15-Mar-21
Greenrise Global Brands Inc.	XCX	Life Sciences	Cannabis	CSE Composite	4-Sep-19
Greenway Greenhouse Cannabis Corporation	GWAY	Life Sciences	Cannabis	CSE25	21-Sep-21
Humble & Fume Inc	HMBL	Life Sciences	Cannabis	CSE Composite	16-Jun-21
IM Cannabis Corp.	IMCC	Life Sciences	Cannabis	CSE25	5-Nov-19
Indigenous Bloom Hemp Corp.	IBH	Life Sciences	Cannabis	CSE Composite	10-Dec-21

For full information please search <https://www.thecse.com/en/listings>.

Advantages of going public in Canada:

- Easier access to capital – whether it be for specific projects or future growth, companies are able to access capital on more favorable 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.
- Greater liquidity options for founders – founders may sell some or all of their shares or use them as collateral for personal loans.
- Increased credibility – 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.
- Enhanced ability to borrow.
- Method of valuation through the market – provides a more accurate assessment of the fair market value of the enterprise.

This guide will include the following information for you to know before going public in the Canadian Securities Exchange:

- 1) Methods of going public
- 2) Overall Requirements
- 3) Financial Reporting Requirements
- 4) Setup Costs
- 5) Ongoing costs

Methods of Going Public

Currently, there are two paths to becoming a public company, an IPO (Initial Public Offering), RTO (Reverse Takeover)

Taking Your Cannabis Business Public in an IPO

In mainstream industries, the best known and most common path to going public is the IPO. In an IPO, a private company is owned in full by a small number of shareholders, typically the founder, early investors, and the leadership team. By going public, you convert the ownership shares of your company into public shares that can be purchased by public investors, including institutional investors and retail investors.

During the IPO, the value of shares are priced during the process of underwriting due diligence, where a team of legal and financial experts will value your operation. If your company is worth \$300 million, and you issue 3,000,000 shares, each share will be worth \$100.

Your original shareholders will continue to own many of these shares, and the big difference comes in the fact that these shares now have a real market value. The rest of the shares are then sold to public investors, which results in your company raising a significant amount of capital.

Taking Your Cannabis Business Public in an RTO

Once considered a “back-door” path to going public, the RTO has gained significant credibility in recent years and has become the preferred option for many cannabis companies. In an RTO, instead of issuing an IPO (which can be very costly and time-consuming), you identify an already public company, purchase a controlling stake in that company, and effectively take over that listing.

This transaction is primarily possible due to the existence of “shell corporations” that currently exist on many exchanges. These are formerly operational companies that have little to no recent activity or assets. As a result of taking over a pre-existing listing, you skip over many of the regulatory requirements of an IPO.

Some of the downsides of the RTO is that you typically give up significant capital and/or shares of your company in acquiring the shell company, and you also do not necessarily raise the initial capital amount that comes with an IPO.

Weighing Advantages and Disadvantages of IPOs vs RTOs

IPOs and RTOs both have advantages and disadvantages and choosing the right path will largely depend on the operational and financial specifics, and long-term plans, of your cannabis company. Other factors, like current timing, market conditions, and regulatory requirements can also have a major impact on your decision making. Following are some key considerations and commentary for both options.

Which path to going public is right for your cannabis business?

Both options for taking your cannabis company public are valid and the right choice will depend on you and your leadership team's experience and long-term goals. Weighing all the pros and cons, determining the appropriate timing, and performing all the financial and operational up-keep is a very important process for both paths. Working with experienced accounting, financial and legal teams is essential to securing the success of your go-public transaction.

Overall requirements to be listed:

Below is a list of information that will need to be included in the filing documents. Note that this is a summary list - Please visit [The CSE website](#) for the full listing.

1. **Corporate Structure:** You have to state the following information regarding your entity:
 - a. Full corporate name
 - b. Detail of the statute and any material amendments

- c. A detail of the relationships with all the subsidiaries, and for each one you will have to display the percentage of votes, the place of incorporation, the percentage of each class of restricted shares.

A subsidiary may be omitted if the total assets does not constitute more than 10 percent of the consolidated assets, the sales and operating revenues does not exceed the 10 percent of the consolidated sales and operating revenues

- d. Entities outside of Canada must describe how their government legislation differ materially from Canadian corporate legislation.

2. General development of the business: The entity should disclosure any significant acquisitions or dispositions completed or proposed, including the following information:

- a. The nature of the assets
- b. The actual or proposed date of each one
- c. the consideration, both monetary and non-monetary paid, or to be paid, to or by entity
- d. any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;
- e. the effect of the significant acquisition or significant disposition on the operating results and financial position
- f. any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets
- g. whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

3. Narrative Description of the Business:

- a. Describe the business
- b. state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period
- c. describe each significant event or milestone that must occur for the business objectives
- d. disclose the total funds available to the Issuer
- e. describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.
- f. Principal products or services describe:
 - i. the methods of their distribution and their principal markets
 - ii. as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year
 - iii. if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage
- g. Concerning production and sales, disclose
 - i. the actual or proposed method of production of products or services

- ii. the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages
- iii. specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;
- iv. the sources, pricing and availability of raw materials, component parts or finished products;
- v. the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks;
- vi. the number of employees, as at the most recent financial year end or as an average over that year
- vii. any risks associated with foreign operation
- viii. a description of any contract upon which your company's business is substantially dependent
- ix. a description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

4. **Selected Consolidated Financial Information:** The entity must provide the financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared.

The information may be presented in foreign GAAP if the primary financial statements have been prepared using foreign GAAP; and the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

5. **Management's Discussion and Analysis:** MD&A is a narrative explanation, through the eyes of management, of how an Issuer performed during the period covered by the financial statements, and of an Issuer's financial condition and future prospects. MD&A complements and supplements your financial statements, but does not form part of your financial statements.

MD&A should help current and prospective investors understand what the financial statements show and do not show; discuss material information that may not be fully reflected in the financial statements, such as contingent liabilities, defaults under debt, off-balance sheet financing arrangements, or other contractual obligations

6. **Market for securities:** Identify the exchange and quotation and trade reporting system on which the Issuer's securities are listed and posted for trading or quoted.
7. **Consolidated Capitalization:** Describe any material change since the date of the comparative financial statements.
8. **Option to purchase securities:** not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer

9. Principal Shareholders: information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement including, name, the number or amount of securities owned.

10. Directors and Officers:

- a. List the name and municipality of residence of each director and executive officer,
- b. State the period or periods during which each director has served,
- c. State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned,
- d. Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer
- e. For management:
 - i. Name, age, position, and responsibilities
 - ii. If it works full time
 - iii. If is an employee or a contractor
 - iv. state the individual's principal occupations or employment during the five years prior to the date of the Listing Statement

11. Indebtedness of Directors and Executive Officers

12. Legal proceedings: Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

13. Auditors, Transfer Agents and Registrars: you will have to disclosure name and address of the auditor of the Issuer and For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded

14. Material Contracts: Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement

In summary you will need to complete and present the following forms that you will see attached to this guide [View all forms](#):

- [Form 1 A](#): Application letter
- [Form 1 B](#): Listing application
- [Form 2 A](#): Listing Statement
- [Form 2 B](#): Listing Summary
- [Form 3](#): Personal information

Ongoing requirements:

Once a Company has successfully been listed, they must fulfill the below ongoing requirements.

Quarterly Requirements:

1. Unaudited interim financial statements
2. Disclosure of all transactions with all Related Person(s) with the following detail
 - a. A description of the relationship
 - b. A description of the transaction
 - c. The recorded amount of the transaction
 - d. The amounts due to or from Related Person(s), and the terms and condition of those
 - e. Contractual obligations
 - f. Contingencies related
3. Summary of securities issued and options granted during the period.
4. Summary of securities as at the end of the reporting period
5. List the names of the directors and officers, with an indication of the position held, as at the date this report is signed and filed.
6. Provide Interim MD&A if required by applicable securities legislation.

Monthly Requirements:

- a. general overview and discussion of the development of the Issuer's business and operations over the previous month.
- b. Describe and provide details of any new products or services
- c. Describe and provide details of any products or services that were discontinued.
- d. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services
- e. Describe the expiry or termination of any contracts or agreements
- f. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month.
- g. Describe the acquisition of new customers or loss of customers.
- h. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.
- i. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.
- j. Report on any labor disputes
- k. Describe and provide details of legal proceedings
- l. Provide details of any indebtedness incurred or repaid.
- m. Provide details of any securities issued and options or warrants granted
- n. Provide details of any loans to or by Related Persons.
- o. Provide details of any changes in directors, officers or committee members.
- p. Discuss any trends which are likely to impact the entity.

To remain on the CSE you will need to report the following forms:

- [Form 5](#): Quarterly Listing Statement

- [Form 6](#): Certificate of compliance
- [Form 7](#): Monthly Progress Report
- [Form 8](#): Notice of prospectus offering (if applicable)
- [Form 9](#): Notice of proposed issuance of securities (if applicable)
- [Form 10](#): Notice of proposed transactions (if applicable)
- [Form 11](#): Notice of proposed stock options (if applicable)
- [Form 12](#): Notice of proposed consolidation or reclassification (if applicable)
- [Form 13](#): Amendment of warrants terms (if applicable)

Set up costs:

- Deposit fee: \$5,000 (approximately USD 3,900) must be paid before the presentation of the forms. If the application is regarding a fundamental change (such as change of business, change of a fundamental transaction, etc) then an additional \$15,000 (approximately USD 11,700) will need to be paid.

If the applicant is not listed within three months of receiving the approval, the entity will have to pay \$2,500 (approximately USD 1,900) of additional review fees. If it is not listed within six months, then \$5,000 will be due (approximately USD 3,900).

Every Form 3 presented has a fee of \$200 (approximately USD 155) per individual form.

- Accounting Fees associated with preparing the financial statements that are in compliance with US GAAP, which will vary depending on the state of records, size, & complexity of the company
- Audit and Legal Fees - this is going to vary depending on the state of records, size, & complexity of the company

Ongoing costs:

- **Supplemental Listing Fee:** Any listed company must pay a flat fee of \$1,000 (approximately USD 775) to list an additional class of securities.
- **Monthly Fee and Annual Fee:** Fees will be set annually on January 1 based on the average market capitalization (\$CDN) of the listed issuer for the first nine months of the previous year.
For new listings, the minimum fee will apply to the first monthly payment and subsequent fees will be based on the average market capitalization for the first 15 trading days until the annual adjustment.

Market Capitalization	Monthly Fee	Annual Cost
Less than \$10 million	\$750 (USD 581)	\$9,000 (USD 7,000)
Between \$10 and \$25 million	\$1,000 (USD 775)	\$12,000 (USD 9,300)
Between \$25 and \$100 million	\$1,250 (USD 970)	\$15,000 (USD 11,700)
Over \$100 million	\$1,500 (USD 1,170)	\$18,000 (USD 14,000)

- **Requalification fee:** if any securities are suspended from trading the entity has to pay \$1,000 (approximately USD 775) to lift the suspension.
- **Late filing fee:** \$25 per day per form. (approximately USD 19)
- Accounting Fees associated with preparing the financial statements that are in compliance with US GAAP: this is going to vary depending on the state of records, size, & complexity of the company
- Audit Fees and Legal Fees -: this is going to vary depending on the state of records, size, & complexity of the company