From: E.G. THOMPSON [mailto:egt@interlog.com]
Sent: Thursday, October 20, 2005 3:44 PM
To: info@tfmsl
Cc: Greg Ho Yuen
Subject: EGT_Mining_Consultants recommendations to Task Force to Modernize Securities Legislation

October 20, 2005

Mr. Tom Allen, Q.C.
Task Force Chairman to Modernize Securities Legislation
E-mail info@tfmsl.ca

Dear Tom & Task Force

My comments apply only to a small part of your mission, ie the junior exploration companies and the increasing burdensome costs. These recommendations are based on my 45 years experience with some 50-60 junior companies. I am a geological engineer from the University of Toronto and although I worked for many years with Teck Corp (before it was Teck), Lacana Mining (now Barrick) and Anglo American, I have always been involved in running junior companies and am still a director of 7-8 and an investor in another 20.

I have only a few points to make and they are centred around three principles which I have tagged KISS, KICS and KIUS. We all know the first one and the next two are "cheap" and "understandable" (oxymorons for our legal profession). The new accounting, corporate governance and regulatory rules do not fit these criteria.

The focus of the companies that I have worked with over the years was always to put the maximum amount of dollars into the ground. Keep overhead costs to the minimum-put the money into drilling. What brings tears to our eyes are the funds wasted on lawyers, accountants and others producing meaningless documents that our shareholders do not need, read or understand. As an example of runaway costs, one of my companies last week received a bill from our underwriters lawyers for $180,000- no details and nine months after the financing-criminal. The excessive regulations, with related costs, are not only tree killers, they are company killers.

I suspect that this whole corporate governance issue is a billion dollar waste and often hinders rather than helping corporate performance. Junior companies do not need complicated and expensive accounting procedures like Sarbanes-Oxley. We do not need Black-Scholes evaluations of options. We do not need the complicated procedure for the accounting of flow through shares and options that make your P&L statement almost meaningless. We question the new regulations on property write-offs-if no work done for three years the property has to be written off. This is completely misleading to the shareholders as mining projects can take decades to reach production.

Junior company accounting needs to be simple and understandable. A company raises x dollars, spends y dollars and has z dollars left. New regulations have tripled or quadrupled our accountants fees over the last few years and they say that costs will continue to increase. They blame the regulators.

One of the major concerns of those of us running junior companies is surviving the cycles. The resource business is very cyclical; usually a few good years every decade I know as I have been through seven or eight cycles Companies often need to hibernate for several years at minimum costs and await the next cycle and available financing. Bureaucrats don’t recognize this fact. New regulations have made it more difficult to survive and regenerate as a new play. The Venture Exchange is not working efficiently.

If a company does not spend $50,000 a year on a property, it is subject to delisting and the new regs makes it very expensive and slow to reorganize. Regulators need to recognize that junior companies need simple rules; that they need to survive the commodity cycle and that regulations to reorganize need to be more efficient and that it benefits the shareholders if the money is spent on exploration not administration.

Concerning one regulator, one regulator might be more efficient but we still need different rules for junior companies

Thanks for your efforts. Please remember- KISS, KICS, & KIUS

E. G. Thompson