BRITISH COLUMBIA SECURITIES COMMISSION

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CAPITAL IDEAS 2013

BC's Venture Market: Junior Mining at a Crossroads

SUMMARY TRANSCRIPT

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-- PROCEEDINGS COMMENCED

MS. LEONG: Good morning everybody. I'm Brenda Leong, I'm the Chair of the BC Securities Commission, and I'd like to welcome all of you to Capital Ideas.

The BC Securities Commission has been hosting Capital Ideas since about 2006. We found it to be an invaluable forum for discussion with the securities industry and other stakeholders, like yourselves, as part of our outreach program. Over the years, we have looked at important policy issues for our capital markets, and we've been fortunate to include individuals in those discussions with significant knowledge and experience, willing to share their ideas, their views, and their opinions, about the securities sector. And today is no exception.

Our topic this morning: BC's Venture Market: Junior Mining at a Crossroads, is, in our view, a very important and topical discussion, and it will raise interesting issues that are important and collectively something we all need to pay attention to.

The venture market and, in particular, the junior mining industry, plays a significant role to British Columbia's economy. There are many indicators that this market is facing unprecedented challenges. The TSX-V composite index is declining. Total market capitalization on the Exchange has been declining, and financing has been tapering off over the last several years.

This morning, you will hear from speakers and panellists about the challenges facing this industry, and hopefully we'll all come away, this morning, with a better understanding of what might be done to support its recovery over the coming years.

To help us set the context for our dialogue this morning, the BCSC commissioned KPMG to conduct research respecting the current state of financing in the mining sector. KPMG conducted their work over the summer. Paul Levelton, the Director of Advisory Services Practice for KPMG, is here with us this morning, and Paul is going to provide an overview of KPMG’s findings. I think you will find them interesting and informative.

But before you hear from Paul this morning, Peter Brady, the BC Securities Commission's Director of Corporate Finance, will give you a snapshot of the health of the venture market today, with a particular focus on junior mining. What you will hear from Peter will help provide some context for our panel discussion, which will be moderated by the BCSC's executive director, Paul Bourque. Joining Paul on the panel this morning, is John McCoach, President, TSX Venture Exchange. John has been responsible for its operations and its strategic direction, for the past four years.

Also joining the panel is Bruce McLeod, President, CEO, and Director of Mercator Minerals. Bruce has over 25 years of corporate and operational experience in the financial and mining sector.

Patricia Mohr joins us from Toronto. Patricia is the Vice-President, Economics and Commodity Market Specialist, for Scotiabank, who developed the first index designed to measure price trends for Canadian commodities in export markets.

And also joining us from Toronto is Randee Pavalow, Chief Compliance and Legal Officer, Aequitas Exchange. Prior to that, Randee led the legal and operational functions at the Alpha Exchange.

And last, but not least, Bill Whitehead. Bill is the Senior Vice-President and Senior Investment Advisor for PI Financial Corporation. Bill has tremendous experience, 25 years in the brokerage business, financing hundreds of TSX Venture companies, mostly in the mineral exploration industry.

They promised us a lively discussion, each sharing their views about the market downturn, some of the challenges facing the mining sector, and what might be done about it. Now, throughout this morning, Paul Bourque, as the moderator, will provide you with opportunities to ask questions, so please feel free to ask any questions that you might have.

So without further ado, I am going to invite Peter Brady to come and talk a little bit about the venture market.

MR. BRADY: Thank you, Brenda. As Brenda mentioned, the purpose of my presentation this morning is to summarize the state of the venture market in BC, and hopefully provide some useful context for our discussions today *[See Venture Market Overview by Peter Brady]*. First, I'd like to provide a reminder of the importance of the venture market to British Columbia and the junior mining industry in particular.

So at the end of 2012, BC was home to more than 1,800 public companies, which is more than any other province in Canada. As shown on this slide *[See Slide 2]*, the vast majority of those companies are listed on the TSX-V. And since they're venture companies, they tend, on average, to be smaller than their counterparts in Alberta and Eastern Canada.

Now, surprisingly, there isn't a lot of in-depth information on the contribution of the venture exchange to BC's economy. One number that I've seen comes from analyst John Kaiser, and he analyzed over 1,400 TSX-V resource issuers to try to determine what their aggregate cash overheard was. Now, using companies' most recent annual financial statements, he looked at the total amount spent on general and administrative expenses, such as salaries, office costs, and some expensed exploration costs. The analysis showed that those 1,400 companies spent approximately $3.2 billion *[See slide 9 in John Kaiser's June 2013 presentation]*.

Now, BC companies accounted for about $1.7 billion of that, and Ontario companies were a distant second with about $667 million. And remember, that's only resource companies. There are other companies on the TSX Venture Exchange, so the total contribution for the Exchange would be higher. Now, there are other estimates out there, of course, and all estimates depend on the assumptions that are made.

So this slide *[See Slide 3 of Venture Market Overview]* shows that BC has more venture exchange listed companies than any other province in Canada. In fact, it has more than all the other provinces put together. Ontario is a very distant second, with approximately 19 percent of venture exchange companies.

In addition, this slide shows that the vast majority of BC companies are mining companies.

Now, this isn't surprising. The Canadian Chamber of Commerce issued a report in January stating that BC is home to more than half of Canada's mineral exploration companies, and it has, in fact, the largest concentration of mining exploration firms in the world. And they further estimated that about half of the mining companies on the TSX graduated from the TSX-V.

Now, the mining industry's contribution to the BC economy is very well documented. For example, the BC Government's *Mineral Exploration and Mining Strategy* reports that "more than 29,000 people were employed in mineral exploration, mining and related sectors". PWC's *Stay the Course* report from April 2013, reported that average employee earnings in the mining industry was approximately $98,000 per person. PWC also reported that the BC industry made total payments to governments, in 2012, of approximately $500 million.

Now, these numbers, of course, only reflect a small portion of the contribution that the mining industry makes, and there is lots of other information on that subject.

So I'd like to turn, now, to some metrics. This slide *[See Slide 4 of Venture Market Overview]* covers the past 10 years, and it shows the TSX-V Composite Index peaking in about April of 2007. It then drops to a major low in December 2008, and rises, again, to a peak in March of 2011, and then begins trending decidedly downward, up to the current date.

So if we look at this chart, we see that the [TSX-V] index actually tracks the broader indexes, generally speaking, until about mid to late 2012. So what is the reason that the TSX-V trends downward when the broader indexes are staying flat or moving up?

Despite historical trends, maybe it's a mistake to think that the TSX-V should track the broader indexes. So this slide *[See Slide 5]* compares the TSX-V index to the ASX 300 Mining and Metals Index, and the AIM All Shares Basic Resources Index, and both of those indexes are mining focused.

So I had to look around a little bit to find some indexes that track the TSX-V, and I think, not surprisingly, this is what it says to me, is that mining is suffering.

Now, of course, the downturn in our market is not evidenced solely by the indexes, so there are some other key measures I'd like to cover.

This slide *[See Slide 6]* shows the dramatic decrease in TSX-V mining company market cap since 2010 - that's the blue line. It shows a lesser decline for oil and gas companies, and that's the green line. In keeping with this, the total market cap for the TSX-V declined from roughly $70 billion in 2010, to about $40 billion at the end of 2012. To give you a snapshot of market cap by issuer, as of September 2013, approximately 62 percent of TSX-V issuers had a market cap below $5 million.

I don't have a slide for this, but the numbers are the same on the trading front: volume and value of trades are down from 2010 to the present.

So this next slide *[See Slide 7]* shows total financings on the TSX Venture Exchange since 2007. It includes IPOs, other public offerings, and private placements.

The amount raised was steady in 2010 and 2011, and then it drops off significantly. It's sort of at the $10 billion mark in 2010 and 2011, dropping off to $6 billion in 2012. [The] 2012 numbers are about eight percent above 2008 global financial crisis numbers.

So if I showed you the TSX numbers, they would not mirror this. Total capital raising on the TSX was up in 2012, and they're significantly above global financial crisis levels.

This next slide *[See Slide 8]* shows TSX-V public offerings over the past three years. Financings by mining & exploration and oil & gas companies have plummeted. In fact, real estate is the only sector showing any growth in public financing. This trend continued into 2013. About 40 percent of all TSX-V public financings relate to real estate, even though real estate issuers only account for about 3.5 percent of TSX-V market cap.

On the private placement side, financing of junior companies has similarly plummeted. They raised about $4.5 billion in 2010 and 2011, but are on track to raise about only $1.3 billion this year.

So in May of 2012, John Kaiser made his now famous prediction that 500 junior resource companies were headed for extinction because of the weakness in the venture market. I believe the number is 700 now. In June of this year, he pointed out that two-thirds of resource-related stocks trading on the Venture Exchange were trading at less than 10 cents, and almost half of the companies he was tracking had less than $200,000 in working capital *[See slide 5 re trading price and slide 7 re working capital, in John Kaiser’s June 2013 presentation]*.

There hasn't been a mass extinction yet, but obviously these numbers are cause for significant concern.

So to provide some context, I'd like to zoom out a little bit and take a look at total capital raising in British Columbia.

This slide *[See Slide 9 of Venture Market Overview]* shows how much money was raised by BC issuers, broken down by issuer type and whether it was raised publicly or privately. It includes TSX-V, TSX, and all other public issuers, including mutual funds. This is the most comprehensive picture of capital raising in BC that we have. Much of the information is drawn from exempt distribution reports that are filed with the BCSC.

So this chart shows that BC companies are still raising money. In fact, they raised about $20 billion in 2012. This was up from $13 billion in 2011, and about $18 billion in 2010. When I contrast this picture to the TSX-V, a financing picture that I just talked about, it says to me that there are factors unique to mining and venture companies at play.

Now, BC public companies raised a lot more than private companies in all three years. So for capital-intensive industries, perhaps public company status continues to make sense. On the other hand, I note that capital raising by public companies is holding steady or perhaps declining, whereas capital raising by private companies seems to be increasing.

BC public companies also raised more money in the public market than they did in the private placement market, except in 2011, and the 2011 dip seems very odd to me, given that the index is peaking in 2011. But for public companies as a whole, the public market may still be a viable option.

On the other hand, more money was raised in private markets (private placements) than public markets in all three years. In 2012, private companies raised more than public companies did, through private placements, and that was only in 2012 though.

Most of the money that was raised by private entities was raised by private investment funds. There's some indication that private asset managers are on the rise.

Now, I can't tell you what these private investment funds took their client money and put it into, but I can tell you that sitting where I am, I have not seen any private venture mining investment funds come across my desk.

Turning to the next slide *[See Slide 10]*, this slide focuses on private issuers that are not investment funds.

Now, I've heard that in Alberta private equity is on the rise and that some oil & gas issuers are able to get all the financing that they need in private markets. And some of that might be happening in BC and the mining sector, too, but when we look at this chart and we break it down by sector, we can see that in 2012 real estate entities collected the lion's share of the $2.6 billion that was raised in private placements.

Now, I will note that about $1 billion in this was by one institutional investor in two large transactions, but even so, if we deduct $1 billion from this, real estate was still, by far, ahead. In contrast, investment in private mining companies seems to be declining.

We appreciate that a critical element to the success of the junior mining industry is the support of the dealers. We've heard, anecdotally, that 10 years ago there were approximately 30 dealers focused on the venture market, whereas today there are approximately eight.

It's difficult to present a conclusive picture of venture dealer health *[See Slide 11]*, partly because business models change, and also because it's difficult to correlate dealer health specifically to the health of one market.

However, we have heard from the Investment Industry Association of Canada that

- small and boutique dealer operating costs have been rising since 2008 against slipping revenues;
- the 110 retail oriented dealers lost money from operations as a group in 2012;
- the operating profit of the 79 institutional firms fell by 20 percent over the same period;

and

- 65 firms lost money in 2011 and 2012.

So dealer health is obviously another significant concern.

So can we draw any conclusions from this data? The venture market and mining remain important to British Columbia. Private placement numbers are down, particularly for TSX-V mining companies. So does this mean we should liberalize private placement rules for public companies?

There are signs of relative strength in real estate, which is probably not much of a surprise to anybody, but it's not clear that it's at the expense of mining. Perhaps that is consistent with a thirst for safety and yield following the global financial crisis. There may be some minor indicators of greater competition for capital by private asset managers.

I certainly have not presented all the relevant information today, and the BCSC doesn't have all the information we would like to inform our regulatory decisions. But on the subject of research that will help us to understand root causes and hopefully find some solutions, I'd like to turn the podium over to Paul Levelton.

MR. LEVELTON: Good morning, ladies and gentlemen. I'm glad to be here, today, to talk to you about the results of our work for the Commission over the past three to four months.

My presentation *[See KPMG Presentation on B.C. Junior Mining Sector by Paul Levelton]*, today, is based on the findings of a report that is going to be available today, and I believe sometime mid-morning it should be available at the reception desk where you checked in earlier today.

KPMG was retained by the Commission to undertake a program of interviews of senior executives of junior mining firms based in Vancouver. The purpose of the research was to gather opinion and to start to foster dialogue and discussion about the current state of the junior mining sector, particularly with respect to financing. We were asked to look into four particular areas. Those topics included:

- the degree of success that the firms have had in finding financing in today's markets;
- the causes of some of the problems in the market, or at least opinion on what the cause are;
- thirdly, the impact of the current regulatory regime on ability to find finance; and
- finally, some prognostication from the people we're talking to with respect to what the future is going to look like.

The results of our work should be considered to be indicative of opinion in the industry, but not definitive. We did not have the time nor the scope to talk to everybody in the industry.

KPMG has summarized what we heard, and that's what's contained in the report. We note that that is industry opinion; it is not necessarily the opinion of KPMG.

The 15 companies that we talked to were engaged in various levels of financing over the past three years, and we are specifically looking at the period 2010 through to mid-2013. And of the 15 firms we talked to, one raised no funding during that three-and-a-half-year period, and the balance raised somewhere between $300,000 to well over $30 million in financing over that period, typically through a number of different financings.

The firms that had the larger quantities of funding raised were typically in more advanced stages of development or feasibility study on their various properties. Many of the firms we talked to, and even the ones that were raising significant amounts of capital, noted that they knew other firms that were in the mode of trying to find what they called "survival capital". This is the capital that's required to keep the door open for another year. And that was indicated, at least in rough terms, as being somewhere between $75,000 to $150,000 per year just to keep a listing active and a door open with a plaque on it somewhere. It does not include any funding for any sort of permitting, further exploration or other operational activities.

This was seen to be a significant issue for the industry, as there are many firms with very little cash in the bank today, and as was just pointed out in the previous presentation, there's quite a few of those.

We heard, from virtually everybody we talked to, that three years ago financing activity was relatively easy through 2010 and, in some cases, through early 2011, but over the last two-and-a-half years, financing has become progressively more difficult to find, and the people we talked to noted they've significantly dropped their financing activity over the last two years.

There was a perception, and perhaps a reality, that both retail and institutional investors were seeing the market as being too risky for their appetites and were abandoning the mining sector and trying to find more stable and predictable returns to meet their earnings requirements.

Many of the individuals that we talked to raised concerns about whether these investors would ultimately come back to the mining sector, particularly if the downturn in the market continues for an extended period of time.

Four issues were raised with the respect to the ability to find and use financing. The first was dilution. And given where stock prices are today, trying to find significant capital would have a detrimental effect on both future share value [and] ownership within companies. The second, and we've already talked about it, is lack of market interest, and that goes back to my comments on the retail and institutional markets. The third factor was the cost of raising financing, particularly if you're just trying to raise what was called "survival capital" through public offerings. The cost of public offerings versus the amount that you would raise for a year or two years of survival are fairly significant as a proportion to the total monies you could receive.

There was a note about the demographic of the retail investor and what I'll call the grey hair issue, and I'll talk about this more in a few minutes. And finally, several of the people we talked to noted that this was perhaps the worst market cycle they've ever encountered, and many of them had been in the industry for 30 or 40 years.

Given the situation with respect to the markets, junior mining firms have looked to alternative sources of financing with the goals of either avoiding dilution or avoiding higher costs of other methods of financing. So they've looked at things such as royalty arrangements, lines of credit, debentures, further equity injections by principals, and private placements as opposed to public offerings.

In some cases, financing was not available or is not desirable, so firms are doing one of a number of things, or a combination of a number of things. First, is sharing offices to reduce costs and gain some efficiencies. The second, is going dormant and doing the minimum required to maintain their listing on the TSX-V. Third, is merging or being acquired by some other party. And finally, going out of business, and I'll talk further about that as well.

The result of all of this, though, has been that there has been little funding put towards exploration, staffing up of companies, or using professional-services firms, be they professional engineers or accountants, lawyers, whatever. And the comment was made, "We may be seeing the hollowing out of the industry, as a result."

We specifically asked individuals what they thought [were] the key factors behind the market as it is today. To a person, they said it's basically general economic conditions, though there was one wonderful quote, "Fear and greed drive the markets, and fear is currently in control, and it's got the steering wheel, the accelerator, the gear shift, [and] the transmission, under its own control”. And that came through when they started to discuss each of the elements behind what they thought were the general economic conditions.

Fear is related to metal prices. Fear is related to sort of general economic conditions, particularly markets where they might be selling metals, and the global financial crisis.

While many individuals related to the significant drop in the price of gold as being a major factor in the state of the market, they also noted that if you go back and look at the trend lines, things really aren't that bad. When you start looking at some of the other commodities, we're really not that bad in terms of price. We are down from the peak, yes, but there's some other factors in play here.

They went on, then, to say, part of it could be greed, and this comes from perhaps some overinflated expectations of future prices and the fact that industries have consummated deals or gone ahead with projects that were perhaps unwise, particularly in hindsight.

While global growth has slowed, particularly in some of the key markets, people saw that generally coming back over time, and there still is growth out there. So it's not all doom and gloom on that front. There was a little more concern about the global financial crisis, or crises, because people thought there was actually more than one. Perhaps the most recent example of that is what's happened in the U.S. with the budget and everything that's going on today and perhaps over the next three months, at least, in terms of temporary solutions, because what does that mean for the market? What does that mean for finance availability?

And then, finally, one comment - and I don't think this made my slide *[See slide 5]* - that came up from a number of people is - and this is not a purely economic condition - was that there are too many inexperienced firms with sub-economic projects chasing too little cash and driving the market down. And that was reiterated by a number of parties in different ways.

A majority of the people that we talked to noted that junior mining companies, for the most part, would not recover until the senior mining companies, large mining companies, themselves, recovered, and they felt that seniors really needed to do three things before that recovery could start. The first is, clean up their balance sheets, divest themselves of some of the toxic assets that are sitting on their balance sheets and driving value down, driving stock prices down. Second is, demonstrate at least two consecutive quarters, or probably even more, of decent earnings to get market trust back and investors interested in the sector again.

And finally, reconsider what could be termed problematic projects. And these were projects that were developed and started, some of them were well underway when the heady times of gold being close to $2,000 and other metal prices were significantly up in the stratosphere and looked to be very good projects, well, they're not, now. They're often much larger projects than the industry's undertaken in the past. Some of them are very political, and in many cases the companies that are undertaking these projects don't have the capabilities to actually manage the projects appropriately. And just from some other work that KPMG has been involved with, with some of the major mining companies around the world, we're finding that's fairly commonplace.

The sense was, once these three actions have taken place, and there's not going to be a finite date when it's all done, it will be kind of a sense, yeah, we've moved ahead. The seniors will become a better prospect in the market in terms of investment, and that will ultimately bring along the juniors when the seniors start to build up their portfolios of projects or properties again and engage with the junior mining companies.

And finally, on the demographic issue, which is called the grey hair issue, this came up from a number of people who said, "What's the average age of the people you've been talking to on this survey, and how many of those people have grey hair?" And the answer is, "High and almost every one of you." There were very few young people in senior management positions in the industry, and there seemed to be, if you will, a demographic gap. Whether that's the boom era phenomena or something else, but that was definitely there.

But the other side of the equation is it's the same thing on the investor side. There's a lot of people that have supported the industry by buying and holding junior mining stocks over the years. A lot of those people are getting older, grey-haired again. Their portfolios are changing, so whether they're going to hold junior mining companies in the future, or invest in them, is a big question. And the question that came back to us is: Where is the younger demographic? When is it going to invest in the market? When is it going to get involved in this industry?

We had, perhaps, our liveliest discussion around the impact of regulation on the current state of the markets, and virtually all of the companies that we talked to, and individuals we talked to, said, securities regulation is not a significant factor in terms of availability of financing today. There were, however, some irritants, and I'll talk to those in a minute.

The companies went onto say that, even if we fixed the irritants, we might save a little bit of cash here and there, but by and large that's not going to help us go out and find further finance.

Opinion was split on the impact of the current regulation, with about half the participants noting that the current regulatory requirements can be onerous and costly, and the other half saying, basically, grow up, we've got to deal with it, it's necessary, and it's doing its job in weeding out the bad apples.

And there [were] particular comments around the 43-101 [reports] as being very rigorous and sometimes inappropriate for certain types of companies with certain types of ore properties. But, it was also noted it's an advantage to BC firms, compared to firms in other jurisdictions, in that it provides a lot more certainty and a lot more information than you can get on the investments in other parts of the world.

The key irritants that everybody noted were, one, was requirement for quarterly filings or quarterly reporting. That was seen to be costly and one of the reasons why the cost to survive is perhaps higher than it would be otherwise, and there was some thought that maybe we should move to a slightly different model in terms of reporting, particularly with junior companies.

The second irritant was the high cost of transactions for public offerings, particularly when you're not going out to raise, say, more than half a million dollars at a time, your transaction costs can be very high and eat up a good chunk of the cash you may be able to generate through the financing.

And finally, there was a few shots taken at the Commission, itself, in terms of consistency of enforcement. There was some sense that the Commission was focusing too much on the minutiae of press releases and other documentation, and arguing words that really had no impact on what was being said or what was being put out publicly. At the same time, [the Commission was] not adequately enforcing what the industry would say is apparently the bad apples that are putting out suspect information.

The role of the Provincial Government came up in many of our discussions, and participants made a number of observations with respect to the influence of the Provincial Government on the industry.

The first was the positive side of things. The flow-throughs and exploration tax credits have, by and large, been good for the industry; keep them. Companies may not be using them to the maximum, but that's the result of the market, not that they're not good, [so] keep them. And many companies noted the value of the flow throughs, particularly in the past.

The second comment regarding the Province was the provincial strategy for mining and its intent to facilitate mine development. They see that as being very positive for both the industry and the province, and they specifically noted government involvement in creating new infrastructure, specifically things like the Northwest Transmission Line, or streamlining the review process for environmental permits and so on.

There were a number of companies, though, that noted while that's very good, it's too focused on the senior mining companies; it's missing the focus on the junior mining companies, which are in the exploration business. And insofar as the exploration business creates the pipeline for future projects that could turn into mines in this province, that's an issue, and the Province needs to think about how to pay a little more attention to the juniors.

There was some pointed comments about processes at the Ministry of Energy and Mines, particularly those that are related to the exploration business. Complaints were noted about bonding levels for small projects, backlogs of permit applications, the requirements for testing and studies, and inconsistent review of permit applications. These were all matters that there was thought that the Province could step up and fix a lot of these processes to the benefit of the industry.

And finally, the First Nations issue came up, and there was a strong sense that the Province has perhaps abrogated its responsibilities to assist the industry in dealing with First Nations. It was noted, several times, that the juniors don't have the staff, the expertise, or the resources, to get into extensive consultation processes with First Nations, particularly if you're a smaller exploration firm. It [was] noted that First Nations' expectations for consultation, compensation, and involvement don't work well for an exploration company. They may work well for a company that's into mine development and operations. There needs to be some mediation or involvement of the Province to try and mitigate some of the expectations of the First Nations. And it was noted that if we don't do something with respect to this, it results in higher costs for the companies that are involved in exploration. If they have to use a significant amount of their hard-won financing to deal with First Nations' issues, there's other jurisdictions that look a lot more attractive in terms of where you put your investment.

With respect to the future, virtually everybody we talked to said, we're in a market cycle. It may be a slightly longer cycle than we've been in, in the past, but it is a cycle. Though, one or two individuals did couch that by saying, "At least I hope that's the case." There was some discussion of past cycles, particularly '97 to 2005. It took eight years to get back, and noting that we're really only in year two of a cycle, so we've got a ways to go.

And there was quite a bit of difference of opinion on when people thought markets recover. There was one or two very optimistic individuals that thought it could be late 2013 or 2014, but about half the people we talked to said it was going to be 2015 or beyond. And the rationale they gave was - and I'll go back to one of my earlier comments - is the seniors have to recover, first, before the juniors become stronger. So we've got to go through that two-step process to get to recovery for the junior mining sector.

Just as a final comment, it was noted, in different ways, [that] you can't just flick a switch and the industry will come back; it's going to be a slow process. We're not going to be down one year and up the next and everything's going to be hunky-dory. It's not.

Everybody we talked to felt there was going to be a significant impact on the junior mining sector from the current downturn. It's already been talked about, at least some of the information that's been in the press. The common response was, people expected 25-30 percent of the existing firms in the junior mining sector to disappear, and that's not a bad thing. And that was fairly strongly enunciated. People noted that this would help get "the bad apples" with uneconomic properties out of the market, and leave the good players and properties in the market, with fewer people competing for a limited amount of cash.

There was concern noted that if the number goes up beyond 30 percent, say up to 50 percent, we're starting to lose some of the next crop of productive properties and we're going to start diluting the industry too much.

There was concern noted by a number of parties that by losing all these firms and having a delayed recovery, we're going to start to see some of the supporting infrastructure for the mining industry disappearing, whether that's in geologists or accountants, lawyers, other professionals that service the industry, any number of the smaller players. That has the potential to damage Vancouver's reputation as the mining centre of excellence, and ultimately that's going to lead to loss of jobs, loss of economic output in the province, and even loss of tax revenue to the province.

So in conclusion, the basic message we got back from everybody was, "Wait it out - the market will come back." There's not really a silver bullet or any single party that can turn things around for us. There [are] broader forces at play here; we've got to wait it out.

There are some recommendations for regulatory change that would benefit the industry in the longer term, and those were specifically consistent enforcement and application of regulations, and flexibility and reporting, that works for both the large and the small mining companies. And this is on top of what I've already discussed about the actions the Provincial Government can take.

And finally, there was a thought that changes should perhaps be industry led, though it will have to be in collaboration with both the regulators and governments.

Thank you.

MR. BOURQUE: Thanks very much, Paul. My name is Paul Bourque. I'll be moderating the panel discussion in a few minutes, but before we do that we are opening the floor for any questions you might have for Paul about the information he's just given us. Let's see if there are any thoughts on what we've just presented.

MR. MAARSMAN: My main question is: You've done all this studying by interviewing the presidents of these companies, but how much effort did you put into interviewing investors? Because I talk to them all the time, and it's quite interesting, the feedback that I get.

MR. BOURQUE: So the question was: Did you interview investors, and if not, why not?

MR. LEVELTON: Our scope of work, as defined by the [BC] Securities Commission, was to go out and talk to the junior mining companies. We were not asked to go out and talk to the individual investors.

MR. BOURQUE: Next question?

MR. PAGE: I understand that the basis of your report was based on interviewing some 15 companies in the junior sector?

MR. LEVELTON: That's correct.

MR. PAGE: Notwithstanding that there are over a thousand companies, do you feel that the methodology you chose is representative?

MR. LEVELTON: As I indicated in my opening comments, the results that we came up with are indicative; they're not predictive of what the industry as a whole would say. That would have required a broader scope of work that wasn't part of our mandate.

MR. PAGE: So would it be fair to say that people here should accept your report based on the fact that you interviewed a very small representative group of the junior industry?

MR. LEVELTON: I would say that what we've come up with and what we documented in our report and in the presentation today, is just the start of a conversation. It's some topics that have come up and some opinion on those topics from the individuals that we've talked to. I think it gives you a frame of reference for further discussions. I don't think it's the be all and end all of the research on the industry.

MR. BOURQUE: Are there other questions from the audience?

MR. BROCK: I think I heard Brenda Leong say that since 2006 the Securities Commission has been reviewing the situation as might pertain to junior mining, but I don't see any evidence based on the seven or eight years of review of anything being done in a permanent and constructive way by the Securities Commission. Could I have a response to that, please?

MR. BOURQUE: So that's a question that would not be for Paul. There will be other opportunities for questions throughout the panel discussion, but right now we want to keep the questions for Paul and the information he's provided.

MR. VERSFELT: I didn't hear anything from you regarding the accredited investor rules from the Securities Commission. I'm really surprised at that, because when I talk to all of my associates throughout the junior industry, one of the main problems is the accredited investor rules, and yet nobody of your sample of 15 people has said anything, by the looks of your presentation. I find that really, really surprising, and I therefore suggest that maybe the sample that you did use is not a representative sample of the junior mining group.

MR. BOURQUE: So I think that's more of a comment than a question, but Paul, do you want to deal with it?

MR. LEVELTON: I can say that did not come up in our review, you're quite correct, and it may have been due to the nature of the conversations and the specific questions that we were asking.

MR. BOURQUE: Are there other questions from the floor?

MR. ASHTON: You brought up age demographics. It's interesting that the IIROC has, not a rule, but a policy basically not allowing anybody over 60 or 65 to invest in junior risk market stocks. I would suggest that that would put Warren Buffet, and people like him, out of our market. So just because you're over 65, all of a sudden you're stupid? And, of course, the Securities Commission's job is to protect people from their own stupidity. I have found, after 44 years in this market, that most people tend to spend more time doing due diligence on buying a new refrigerator than doing their due diligence on some, not investment, but speculation or gamble in a mining stock or venture stock. Is there any comments on the demographics on that? So I think Mr. Buffet would have a little argument with you, and maybe Carl Icahn also.

MR. BOURQUE: So I think that was more of a comment, Brian, and we actually will be getting into that issue in the panel discussion, but I think Paul indicated that of the people he talked to, that was his observations in terms of the demographics.

MR. LEVELTON: They didn't say "65".

MR. BOURQUE: Other questions?

MR. NYQUVEST: I'd like to know what the cost of the KPMG study was, and why you didn't interview legal firms, who could have given you a much broader scope on most of the other companies, as opposed to 15 of the thousand?

MR. BOURQUE: So we're not going to talk about the cost of the study just now, but perhaps you want to answer the second part of the question, Paul?

MR. LEVELTON: Our specific mandate, as given to us by the Commission, was to talk to the junior mining companies, themselves, not the investors or other participants in the industry.

MR. BOURQUE: Okay, thanks very much, Paul.

I would like to, now, invite our panellists up onto the stage: John McCoach, from TSX Venture; Bruce McLeod, from Mercator Minerals; Patricia Mohr, from Scotiabank; Randee Pavalow, from the proposed Aequitas Exchange; and Bill Whitehead, from PI Financial.

So welcome, everyone, and thank you all for joining us here in Vancouver this morning, on a topic that I know is of interest to you, and from your bios you have a lot of background and expertise in this area.

I'd like to begin our discussion at a high level, start at 30,000 feet, look at some of the macro issues around mining and markets, generally, and then work our way down to more detailed topics.

My first question on sort of the overview is for Patricia. And Patricia, as a commodities market specialist and creator of commodity price indices, what has happened to mineral prices and the overall mining sector over the past five years?

MS. MOHR: Well, good morning, everyone. I'm just going to show you a couple of charts *[See Patricia Mohr's presentation: Junior Mining Companies: Softer Metal Prices & Low Equity Valuations Limit Financing on TSX Venture Exchange]* that I think will show you a little bit better than just by talking, what has actually happened to commodity prices in recent years.

And what we're showing *[See Slide 2]* is our Scotiabank commodity price index, the all-items index, which includes a full suite of metal and mineral prices, oil and gas, forest products and agricultural prices, and then plotted against the sub index for metals and minerals. This is very Canadian oriented. It includes all the key base metals, gold, big commodities on the prairies, like uranium, potash, silver.

The commodity producers really endured two big dips in prices over the past five years. The first one, of course, was what happened in the middle of 2008. You can see this tremendous upswing in overall commodity prices to an all-time record high, in July

'08, and that was driven partly by the emergence of countries, such as China, as major forces behind commodity price demand.

But in the middle of '08 we had the beginning of a credit crisis in the United States that began with difficulties in the U.S. mortgage market, but that quickly morphed into a global credit crisis. And commodity prices, or overall commodity index in the red, plunged by 46 percent between July '08 and late 2008. Metals and minerals also went down, but, in fact, not quite as much, by just under 20 percent.

We then had an unusually rapid turnaround in global commodity prices that began right in January 2009. That had to do with the fact that China has emerged as such a huge global force in the mining and metals sector. They were able to kick start their economy very quickly, as you recall, with a huge infrastructure development program. And in January '09, the base metal traders on the London Metal Exchange realized that China was back in the market, buying base metals again, and things like oil, and they jumped right back into their positions on the LME, bidding the prices higher. So you can see this very unusually rapid improvement in commodities.

Now, typically, in previous business cycles, you would never get commodities rallying that quickly, because in January '09, the U.S. economy was still in quite a steep recession and, in fact, did not come out of its recession until the third quarter of '09, but by that time, metals and minerals, and commodities, generally, had already moved up radically.

Now, when we got to the spring of 2011, that really marks the recognition by global financial markets, particular in New York and London, that there were difficulties in the Eurozone with excessive sovereign debt. The austerity measures that probably would be required to deal with that would actually lead to slower world trade, probably slow the global economy and lower commodity prices. And, in fact, we then had another dip down in commodity prices.

Our overall commodity index this year has actually increased just slightly, so it looks like things are levelling out on the overall space, but metals and minerals, as of September, were still moving down. And the one thing I would mention is that it wasn't until earlier this year that I really became a little bit more concerned about the actual level of metal and mineral prices, and the level is still historically quite high. Here it is at the 140 mark, and look where it was back in the '80s and '90s. But there have been a couple of developments just recently that have caused some real challenges, particularly for the Canadian mining space. One, is the downturn in gold prices that was mentioned by KPMG in its survey. And, of course, unfortunately, gold and silver loom very large in the senior sector in Vancouver. Just think about the senior mining companies that actually have their home in Vancouver, but also in Toronto. And the equity valuations in the gold sector have really melted down. They're down this year, in the year-to-date, something like 46 percent on the equity value. So this takes quite a toll on the junior mining space.

So we're not quite at the bottom here in metal and mineral prices. I hope by the end of the year we will be.

MR. BOURQUE: So, Patricia, is there a correlation between metal prices and financings in the venture-mining sector?

MS. MOHR: Yes, we did a simple correlation analysis *[See Slide 3]* between our Scotiabank metal and mineral price index. These are quarterly averages to smooth out the data, and we plotted it against the mining equity capital raised in the TSX Venture, and the correlation is about 71 percent, so just over 70 percent.

There are other things going on, obviously, that have impacted on capital raised. It's interesting, though, that when metal and mineral prices move down you get a reduction in the venture capital raised on the TSX-V with a lag of about two-quarters, so yes, a definite relationship between prices and venture capital raised.

We note that in the gold sector, the senior mining companies, not only in Toronto, but in Vancouver, are now focused on boosting shareholder returns. They've really delayed some new mine development, and that will hurt and make more difficult venture capital raising from the seniors.

Just a final point, we have noticed, though, that private equity funds are starting to be very interested in junior miners, and we hope that that will provide some funding in the next little while.

MR. BOURQUE: Bruce, my next question is for you. And again, high level. As president and CEO of a junior mining company, what are the fundamental reasons, in your view, fundamental difficulties facing your sector?

MR. McLEOD: There are really two that, from a view from 30,000 feet, that impact the junior explorers and developers. The first is the cost of being a public exploration company. And it's not just the increased cost in regulation, it's the cost that an explorer has to spend in order to drill an exploration hole today. The business has changed. If you look at our expenditures in terms of what's required of us, today, in terms of corporate and social responsibility, gaining access to land, social licence, impact benefit agreements with affected peoples, those costs are significantly higher.

And the second is the lack of available capital and the cost of that capital to the individual companies. And those two combined have made it extremely difficult in recent years.

MR. BOURQUE: Patricia, how important is venture mining, the sector, to the overall Canadian economy?

MS. MOHR: Well, it's difficult to know just to look at venture mining as opposed to the whole mining sector. We know, from mining as whole, it's about four-and-a-half percent of goods production in Canada's GDP. In British Columbia it's larger; 7.8 percent, based upon 2012 data. But I would say, as a native-born British Columbian, that I know the venture market is really the heart and soul of Vancouver, downtown Vancouver, so it looms really large. Metals and minerals account for a good one-third of all of Canada's exports of commodities and resource-based manufactured goods. So it is very important.

MR. BOURQUE: Bill, as a person who has financed junior mining companies and who advises clients about investing in this sector, how would you describe the impact of the public venture market on the economy of BC?

MR. WHITEHEAD: Well, I think, as Peter mentioned, it's far-reaching. You look all the way from the independent brokerage houses, PI employs about 250 people, we're in no jeopardy of disbanding or going bankrupt, we have lots of capital, but there's lots of firms that don't have that much capital. They're all affected. You've got direct costs in the industry. If the industry fails on the geological and engineering side, all the people they employ to do the work, indirectly, you've got helicopter companies, airplane companies, hotels, travel expenses, gasoline, the ramifications are huge as far as tax revenues for the province, for the country. I think it's a really big deal, yeah.

MR. BOURQUE: Randee, high level, but switching gears a bit, talking about markets, not just venture market companies, are stock exchanges still performing their traditional and primary function of bringing investors together with worthy enterprises to create wealth, or are we seeing some variation from that traditional role?

MS. PAVALOW: As a lawyer, I have to start off with a qualified opinion, and it's a qualified yes. I think they are, but I think they're not as effective as they used to be back in the '90s, and even before then. And a lot of that has to do with what the exchanges have been experiencing in that last 20 years. Prior to the mid '90s, they were all mutualized companies that were not-for-profit. So the owners were the dealers and the interests were very much aligned with the dealer community, and as a result, that meant both the trading side, as well as the public financing side.

Since the mid-1990s, most exchanges, and that's outside of Canada as well as inside Canada, have demutualized. They've become public companies and they're for profit. And that has had an impact on where their focus has been, because now their owners are their shareholders. They're really more focused on a more short-term type of profit, and interests are less aligned with the users of the exchange.

Just out of interest, I'm involved in a new proposed exchange, and one of the things we're trying to do is to really bring it back into a kind of semi-mutualized position. So our ownership actually represents the buy side. That includes portfolio managers, pension funds, and mutual funds. We also have sell side. But we also have an issuer owner. And, in fact, what we've decided to do is to set aside shares for ownership to be expanded when we want, and we'll maintain that same representation of buy side, sell side, and issuers. And we think that's important in aligning the interests of those parties, especially in a for profit environment.

MR. BOURQUE: Thanks, Randee. So John, I'll just get your reaction to what Randee just said.

MR. McCOACH: Well, in answer to the question you put to Randee, I'd say a qualified no. I think that many exchanges in the world would actually say that they have taken their eye off the ball of that primary goal of being a stock exchange to bring investors and listed companies together. I don't think that was intentional. I don't think they stopped caring about that. But I think, as Randee pointed out, a decade or more ago exchanges started demutualizing. There was also a perfect storm on the horizon where there were technological advances in algorithmic trading, there was competition coming into the exchange world, and exchanges started to have to focus on defending market share. In some cases, even big international exchanges, like NYSE and NASDAQ and London, were focusing on maintaining relevance. So they started putting literally hundreds of millions of dollars into technology, and it really got into a technological arms race. So they definitely were distracted from that primary goal in trying to maintain market share.

That didn't happen in Canada to the same degree as it did in other places in the world, which I think we benefitted from, but it certainly did, to some degree, in Canada.

MR. BOURQUE: A qualified yes and a qualified no. I'll leave it for people to determine whether they're agreeing or not.

Bill, a question for you, and again, high level. Some people say the TSX-V is a speculator's market and not an investor's market, and that is, in fact, a good thing for the marketplace and for mining exploration companies. Do you agree with that, and why?

MR. WHITEHEAD: I think the market's actually both. From my example, in the last 18 months, we've brought an actual geologist into our team, into our office. We get a public company that comes to our office, they do a PowerPoint presentation, we do due diligence. Our geologist, more often than not, wants to go on a site visit. That's something we never did before. We make an investment decision based on facts, based on the risks, based on the people involved. We raise that company money, hopefully we raise the money a couple of times, and the company is successful, and the company comes out with good results, and that's where I believe the speculation of the market comes in, when you get people that are watching charts, people that watch volumes, and the next thing you know, they're jumping in on a speculation of news, without having potentially any due diligence done.

So I think it's both. I actually think it's done better with due diligence rather than a speculation. Quite often we're exiting on speculation. So both.

MR. BOURQUE: Back to you, Patricia. In your view, what has to happen before the junior mining markets turn around?

MS. MOHR: Well, I think we, firstly, have to see a better sentiment about the prospects for global economic growth and unfortunately, this year, unlike what we actually thought coming into this year, the global economy has actually slowed again, partly because of all the fiscal drag and difficulties, political difficulties, in the United States. But also, some slowdown in the BRIC countries, and that has really bothered the market as well. We do think there will be a little bit of a pickup in global economic growth next year, but I think this is really almost sheer optimism on our part. So we'll see how things turn around.

We need to see an improvement in actual prices for metals and minerals. While we seem to be approaching the bottom, I think it's going to be a few years before you really see metal and mineral prices really start to hugely ratchet up again. We're still very optimistic that the bull run is going to return, but I think it's going to be a second half of the decade story.

As you all know, one of the reasons why some of the key base metals started to fall earlier this year was the fact that we're finally beginning to see some new mine development in things like copper, which is an industry that had very little new mine development for about five years. So we need to get through the next couple of years of a little bit more new mine supply, and then I think the actual prices will rev up again quite nicely in the second half of the decade.

And the other thing that our corporate bankers have made me aware of, is that investors, generally, particularly on the senior market, the Toronto Stock Exchange, need to see the senior gold miners bring on stream, on time and on budget, new mine developments. If they could see that, they'd have a better view of mining as a strong investment, and that would kind of lift the overall market, including for the juniors.

MR. BOURQUE: Bruce, You mentioned the term "social licence" a few minutes ago. Could you just maybe tell us a bit about what that means?

MR. McLEOD: The impact of it is, is your average CEO of a junior exploreco *[exploration company]* 10 years ago, could be a geologist. That was his expertise, he understood how to source out, how to find promising exploration properties, and how to execute drill programs.

Today, a CEO has to be so much more, and that's part of the cost of being a public company. You have to keep your eye on the ball on CSR *[Corporate Social Responsibility]*, because a lot of the failures, even from the majors, they're perceived to not have followed an appropriate plan in corporate and social responsibility. Those costs alone can be 30 to 50 percent of the preparation for a drill program, today. By the time you do your baseline environmental studies, by the time you negotiate an impact benefit agreement with affected peoples, by the time you get your permits, what used to be maybe a half million dollar meaningful drill program, you've just spent a half million dollars and you haven't drilled a hole.

So the game has changed. The breadth of people and expertise required of these teams is much higher. So if you don't have the expertise in-house, you have to rely on consultants and otherwise. So from the CSR side, that has had a big impact on how we do business, on the jurisdictions that we choose to do business in. At the end of the day, the last thing any investor wants a company to do, is to not have performed those steps in a rigorous approach. And because of those missteps, we're dealing in more difficult jurisdictions, actually have something that's promising expropriated by government or not being able to develop.

So it's certainly had a big impact, and certainly have an impact on this business.

MS. MOHR: Yes, I agree. I think the costs of really making sure that you are a good corporate and social citizen really has gone up a lot. I would guess that the average junior mining company really isn't funded to undertake some of that work, and I'm just wondering if some of the industry associations [or] perhaps the Provincial Government, could help out with that responsibility.

MR. McCOACH: I was going to ask Paul, and maybe Patricia, if they're finding that in some cases investors, institutional investors, particularly, are rewarding the companies that are doing a good job there, because there's a lot of funds that do track how companies manage that social licence and manage corporate social responsibility. So could there be an upside to this?

MR. McLEOD: Well, particularly with Teachers *[Ontario Teachers Pension Plan]*, the bigger institutions, they keep scorecards in a number of [matters]. It's anything between your board diversity, where you work, and how much time and effort you put in CSR. So from the retail perspective I don't think it's as important, but certainly from the government-owned funds or those types of funds, they definitely do keep scorecards.

And again, what that does, is the smaller explorer, particularly if the fund has a mandate that these boxes have to be checked, makes it much more difficult for those institutional investors to invest in those smaller companies. So what you are seeing is a bit of segregation in how some of those funds can invest.

MR. McCOACH: So the cost is significant, but the companies who manage that well might get rewarded, or have a competitive advantage in attracting capital?

MR. McLEOD: I think, at the end of the day, that I look at it differently. If you don't do that work, there are very few jurisdictions, today, where if you make a discovery you will ever have the opportunity to develop it. And without that, what's the underlying investment worth? So there is a payback.

MR. BOURQUE: Any questions from the audience before we take our break?

MR. MAARSMAN: Just in regards to you saying the 1800 companies out there, shouldn't somebody raise the bar a little bit for these. If the expenses are so high for a small company, they should be doing something to raise the bar. I think in the States somebody is saying they don't touch anything under 15 million to start with.

You've got a lot of these companies starting out with half a million bucks, or a million dollars. It's a lot of egos there. People just want to run a little public company.

How many companies are working out of your office right now, Bruce?

MR. McLEOD: One that I'm involved in, directly. We sublease some space to others. I think there's maybe three involved. What has happened is when I first moved from operations in this business to company management, I was involved in probably five or six public companies at the time. And today I don't think that a CEO of a going concern can be an executive in more than one, once you get beyond a discovery stage. I don't think there is the time constraints they can do it. So it's changed. Is the bar being raised? I don't think the regulators have to set the bar, because I think what investors are doing is they're moving the bar for us. The number of companies that are out there, is it healthy? Well, you know what, I think that natural selection is going to [look] after that. I don't think the regulators have to decide what has to happen. The investors have raised the bar.

MR. NYQUVEST: I think we're definitely demonstrating a flair for the obvious here. We know there are issues. We know companies that are going to fail. My question is: Do we honestly think we're doing enough regulatory-wise to provide the ability to separate the baby that's being thrown out with the bathwater, restructure, save the companies that are worth saving, and drive forward in an intelligent manner. Is there enough in the regulatory framework being done to assist that?

MR. BOURQUE: I'm going to look to the panellists, because I'm the moderator.

MS. PAVALOW: I'm happy to answer that, since I was a regulator before and now I'm in the private sector, so maybe I have the right perspective to answer the question.

And there was a hint of this answer before. I don't think this issue can be solved by any one party. It really is going to involve all of us, whether it's the issuers, the exchanges, all of us coming up with solutions and alternatives.

In fact, I think competition is really what we need to drive some of this. So I think putting the burden on the regulators is not the right solution. I think the regulators need to be there to make sure when all these new choices and innovations come in that somebody's monitoring and doing proper oversight. But I think, really, all of us in this room have some responsibility to finding answers to these issues.

MR. WHITEHEAD: I think the regulators could more specifically look to the venture capital model, being that we're a lot different than an asset-gathering firm in Toronto, or the big board, and we have our own things that we need to deal with that are specific to our venture capital market. And I think probably there's too much emphasis put on the big banks, rather than the independent brokerage houses, and the brokers and the junior resource companies, that are significantly different than the other public companies.

--- PROCEEDINGS ADJOURNED

--- PROCEEDINGS RECONVENED

MR. BOURQUE: Welcome back to the second half of the discussion.

At the first session we were sort of at 3,000 feet. Now, I would like to come down a bit and talk about some of the more detailed issues around access to capital and the costs of being public. What those issues represent for junior exploration companies.

My first question is for John McCoach. John, you know I wouldn’t let you get away without asking you about the prediction by John Kaiser in the *Gold Report* back in February of 2013, about the loss of listings on the junior venture market up to as many as 500, perhaps, would go under due to lack of money and lack of resources. We know that hasn't happened. What's your sense of what will happen, and can you tell us, what are you hearing from your companies about the challenges that they face raising money and remaining public, and are you hearing things that are different now than in previous market down-cycles?

MR. McCOACH: May I start with a point of clarification, that I think John Kaiser would appreciate as well? If I'm correct, he actually didn't predict 500 companies would disappear. It was actually in early 2012 he said that the balance sheets indicate that there's 500 companies that have less than $200,000. If they don't raise capital, if things don't improve, they're going to face challenges and could go away. That was a pretty dramatic statement, and other pundits picked up on it, and 500 became 600, and 600 became 700, and people were just sort of building on that. But as you said, Paul, it clearly didn't happen, and whether it will happen depends on what happens in the markets. I don't think it's going to happen. I have faith that these junior natural resource companies have the resiliency to get through this cycle. But again, that all depends on how long the cycle lasts.

There’s sort of two or three ways to measure what’s happening with the companies “disappearing”. The first is usually in late spring we issue sustaining fee invoices. There’s usually a typical dozen to 20 companies don’t pay their annual sustaining fees. If they can’t pay their annual sustaining fees, which average $8,000 (but for a very small cap company it’s $4,000) then there’s obviously other problems. So that’s some drop-off then. Later in the year, the companies that can’t afford to pay for their audited financial statements will eventually get cease traded, and then we see that cycle. So this year has been pretty normal. In fact, actually, the companies that hadn’t paid their sustaining fees this year were actually less in 2013 than in 2012. The other indicator is the number of companies moving from the main board on TSX Venture to our NEX market, which is the market designated for the companies that don't meet continuous listing requirements. That number is up a bit. Historically, that number has ranged between 200 or a little less than 200 to 300 companies. Now, it's getting up not to historic highs, but getting up towards 300 or just over 300 companies now, so that is probably no surprise in that there's a number of companies that are struggling. Everything we've heard so far this morning would suggest that, and they are going into hibernation mode.

So I don't want to suggest for a minute that companies aren't struggling, we know that they are, but they're not disappearing. The short answer is, I don't think that there will be anywhere near the number disappearing that we've heard.

MR. BOURQUE: Bruce just to go back to a topic I think you touched on a little earlier about the total number of BC-based exploration companies, listed on the TSX-V. We present the numbers and they're pretty dramatic, and we present the numbers with some pride that Vancouver is the home of so many of these companies. But the question is: Is there a relationship between the absolute number of public junior mining companies and the health of the venture market? Is there a problem with too many of these kinds of companies? Do they actually hurt the market? And is the current number sustainable, in your view?

MR. McLEOD: Well, the first question is the health of the market and the number of companies. And if you go back to 2004, when the TSX-V came together, the only year that we've seen a reduction in the number of listed companies is actually 2013*[Editor's Note: While TSX-V was formed in 2001, TSX-V data is only available back to 2004]*. So even though in 2008/2009 we had companies as big as Lehman go away, we certainly haven't seen that. So I'd say historically there isn't a relationship.

But I think to understand and answer the question, you've got to take a look at maybe the life cycle of a junior exploration company and the breadth of the market that we've seen. In this latest cycle, an incredible number of commodities have seen new highs. Commodities that a lot of investors haven't heard of before: rhenium, gallium, rare earths, the fertilizer market. Certainly all the base metals and copper and gold.

Historically, you'd have one sector, maybe two commodities, that seemed to be the ones that the companies were working on and being able to finance and explore. So with the life cycle of a junior exploration company, everybody that invests in junior exploration companies should know, and certainly by the disclosure we put out, that your chance of finding an economic discovery is small. And because you've had companies that specialized in different commodities, you'd always have the life cycle. You'd have someone start up, some in exploration mode, some looking for that next asset with the remaining capital, some in consolidation, and that. You've had so many companies that have been active in such a wide range of commodities. What I think has happened, is you've got too few companies that are in that expansion mode (raising capital, exploring) and too many that are in that contraction mode.

So because of the breadth of the market and the lifecycle, I think that that has had some impact certainly on a number of companies. And is the number sustainable? Well, given the status quo today of the lack of capital that's available for junior explorecos *[exploration companies]* and the number of those companies that are in contracting mode rather than expansion mode, with the status quo it is not sustainable today.

MR. BOURQUE: Bill, question for you. Your firm earns revenues from trading and financing junior mining companies. In your view, what are the key challenges your firm faces in the current market environment, and are there things that regulators or governments could do to assist venture mining companies?

MR. WHITEHEAD: I'll talk from my perspective, which is probably closely aligned with our firm. Our piece of the pie is getting divided up more and more and more, to the point where the piece is so small where you couldn't consider it dessert. We compete against the discount brokerage houses, which are owned by national firms. TD Green Line would be an example of that. Their discounted rates, we can't compete with. When we made our clients money, which hasn't been for two years, our clients had no problems paying one-and-a-half percent commission. We're doing all the work, we're recommending the stock, we're getting them a good return. They didn't mind paying for that.

In the last 18 months to two years, that's switched back the other way, and we're under a lot of pressure, increased pressure, to reduce our commissions, which doesn't help our firm or any other firm, and we don't have much of a choice. So we have been decreasing our commissions, which puts wear and tear on the firm.

The other things that are biting into our business [are] the northwest exemption and the exempt market dealers. Some guy can walk down the street, and if he's a connected guy, he can go to public company ABC and say, "I can raise you $500,000," and public company says, "Great, we'll pay you seven percent for that." So that guy will make $35,000, but he has no overhead, he has no anything, other than he was just going to take a check for $35,000. He doesn't have to do due diligence, he's got no compliance. He could go to the taxi driver on the street and say, "Hey, if you tell me you're a sophisticated purchaser, I'll get you in on this private placement." It doesn't work with the brokerage houses that way. We have compliance, we have credit, we have account opening documentation [that] clients sign, that says what their risk tolerances are.

The northwest exemption guy, although it's good for him and some public companies might suggest, "It's good for us, because it doesn't cost us as much money," from the long view, from the stock market point of view, from the venture capital market, the independent brokerage houses need to make money. We are the liaison for the retail investor to the public companies. Without us, there is no liaison. I don't believe the venture market will survive if independent brokerage houses fail. That's just my view.

EMDs are the same thing. I think quite a bit more sophisticated. There [are] lots of good EMDs. But again, they don't have the overhead. And it's good for the EMD that they do a million dollar funding, they charge seven percent, they get paid $70,000, but they don't have clients, they don't have to send out account statements, they don't have CRM *[Client Relationship Model]* requirements. They don't have all the infrastructure costs that a full service brokerage house has.

One of the other things that our firm has been tracking for a while now is what's called active and passive trading fees. An active trading fee is when

Bill Whitehead takes an order for a client and hits a bid or takes out the offer. The client says, "It’s bid 100,000 at two cents. Hit it," and I conduct that trade. That's called an active trade, and that's seen as taking away liquidity from the market. And the exchanges charge a fee for that. They also pay a credit, albeit a lot smaller credit, if you just sit on the offer and hope that somebody will buy that 100,000 shares at two-and-a-half cents instead of hitting the bid.

So a rough example of how that works is, if a client gave me an order to hit the bid, sell 300,000 shares at two cents, so a $6,000 trade, the approximate exchange fees would be $60. That's the fees that PI would pay. They pay $60 to conduct that trade. On the $6,000 trade, the commission would be $70, that's our minimum. $35 goes to the IA, that would be me. $35 goes to the firm. So the firm, on just that one trade, the firm lost $25, and that's one trade. And when you're talking thousands and thousands of trades in an illiquid market, where bids aren't moving up to take out offers, it's working the other way; clients are getting tired, they don't want to wait. If the stock's a 10 cents bid and you want an offer at 12, they say, "No, there's no difference in two cents, just hit the bid." And that's what we do.

We take our client's instructions and we hit the bid.

I've been on the executive committee at PI for maybe about two years now, and never really followed any of this stuff. And what came up just recently, and I don't know why it's this way, if that same client called me last night and said, "On the open, I want to sell that 300,000 shares at two cents", the exchange fees are five times higher. It would cost the firm, ballpark, about $300 to conduct that trade, and the firm would lose $265 on that one trade. And it's becoming a problem. I think PI's losing about $40,000-$50,000 a month on active trade fees. So it's a big problem.

MR. BOURQUE: I think the point Bill is making is an unlevel playing as between different kinds of registrants and an unlevel playing field between different kinds of clients and traders, and that's a regulatory issue.

Randee, I want to put a question to you about market structures, and what's happening in Canada. We seem to be seeing, in Canada, fewer and fewer public listings, and we also see companies going private, and we see companies delisting from Canadian markets and listing in other markets. Do you have any views on that, and any thoughts?

MS. PAVALOW: I would start off by saying that what is happening is not going to be a surprise, especially for the business people in the room, which is that the value proposition, the burdens versus the benefits is really shifting against listing. And we've heard a lot about what the direct costs are. And I thought I was going to be the first person to actually raise the market structure issues, but Bill jumped the gun. I really want to talk about that, because they are indirect costs on listing and trading, which does affect the health of our capital markets.

So in the past, we really looked to the exchanges for their regulatory functions; that's the listing and member regulation. Much of that has been passed off to IIROC. So what is really the core function that the exchange provides? Well, it's liquidity. However, the current market structure means that there really isn't much liquidity, especially for most of the securities listed in Canada.

We recently looked at some data, and what we found is that a large majority of the listed companies in Canada, today, trade less than 500 times a week. And you actually have to approach almost the 50 million market cap before they start trading 1,000 times a week, which really isn't a lot of trading. So we have a very illiquid environment. And on top of that, the old market maker program, which was supposed to provide liquidity, really has become, for the medium-sized dealers, just not an economic business model.

In addition to that, and now we're going to get a little bit into the HFTs and the maker-taker model, what has been happening as a result of technology is that I think where we're going is trading is being based more and more on information versus value. And what do I mean by that? What I mean is, you have a lot of traders in the market who are trading based on small differences in price. So they're looking at the fact that there's a penny spread or there's a better price on one marketplace versus another versus the fundamentals of the company. So they're not really looking at the value of the company, they're looking at arbitrage opportunities. That also hurts the value of a listing.

I also think the private markets are getting better, because they're now starting to use the technology, or will be using some of the technology that the public markets use, and they're breaking down some of the barriers and difficulties in getting access.

So all of that leads to the fact that when you look at the value proposition, going into the listing business may seem almost silly. So you might ask, "Why am I working for a start-up that wants to go into the listing business?" and I would tell you that we actually took a very holistic approach when we decided to set up Aequitas. We're looking at the whole stream of all the different pieces. First of all, on our listing standards, we do want to have higher listing standards. We do not want to have companies that are not ready or not at a sufficient maturity stage to be able to support the liquidity that is the real value proposition on the exchange. And for those who aren't ready, we are intending to setup a platform for trading in the exempt market. So there is an alternative for those who aren't ready.

We also have a market structure, which is trying to rebalance away from those who rely on speed, to the more traditional investors, and I'll talk about that a little bit later. But it's really focusing on buy side and retail investors. And we are trying to introduce a market-maker program which will also address some of the volatility that's been created by our current market structure.

So we're looking at all the different pieces to try to support the public company process.

MR. BOURQUE: I'm going to ask all of you questions about what can governments and regulators do, but I'm going to save it for the end, because I wanted to get your view on the things that Bill has said as well.

But right now, I would like to go to the audience for questions, and I want to recognize Richard Carleton, who is in the audience today. Richard is the CEO of CNSX Markets, which is the other junior venture market in Canada, based in Toronto, and he's joined us here, today. And I wonder, Richard, if you wouldn't mind, as part of our floor presentation, taking about five minutes and sharing some of your views and perhaps responding to some of the things you've heard on the panel here this morning?

MR. CARLETON: Thank you very much, Paul. It’s always a pleasure to be in Vancouver, and in the company of so many people who believe, passionately, in the importance of the junior capital markets in Canada.

We believe, at CNSX, that it's an important social policy to encourage the health of the public equity markets in Canada. We don't like what we see south of the border, where junior corporate finance is increasingly conducted for high net worth individuals through the asset management arms of the major broker dealers. Unlike the great tech boom of the '70s and '80s in the United States, where companies like Sisko, Intel, Microsoft, and so on, went public on NASDAQ with modest market caps, which gave everybody the opportunity to invest in those stories as they grew, the current situation, where a certain few favourite wealthy individuals are entitled or enabled to participate in growth stories like Facebook, where the IPO is an exit, it's not to raise new money to invest in the growth of the company. So I think we have to be very protective and very careful in preserving what we have built in Canada and, in fact, enhancing the opportunities.

I was struck by many of the comments that Bill made, because I think, from the exchange and the securities regulator perspective, we have to recognize that we've visited a number of evils on the dealer community in the last seven to 10 years. And Bill touched on many of them. The cost of operating, whether it's an independent dealer, or even the bank dealers, has risen dramatically, and there has not been a corresponding benefit in either new revenues or lower costs. In fact, it's exactly the opposite.

So in thinking about what we need to do going forward, I think there are a number of positive things that we have to do to attack or address those concerns. As an exchange, we can reduce the costs for issuers and dealers who are doing business with us. In five minutes I don't have nearly enough time to go through the things that we can do. But that is a key area of concern for us.

Eliminating the maker-taker model. Promoting traditional market-making strategies, for example, which provide dealers with business opportunities on their trading desks is an interesting way of supporting liquidity for junior capital companies and providing business opportunities for the dealer community.

The unlevel playing field between the EMDs and the corporate finance groups at the dealers has to be addressed.

We have to address the unlevel playing field in access to market data and trading as between the competitors and the exchanges operated by the TMX Group. At this point, they have a virtual monopoly on the eyeballs in Canada. The alternatives, such as CNSX and the other market operators, have a hard time getting access to the eyeballs that are pushing the buttons to enter orders into the trading system. There just isn't adequate visibility in the Canadian marketplace.

Our friends at IIROC have to take a long, hard look at the regulatory burden that has been piled on the dealers through the client relationship model, the know your client rules, increases in the civil liability burdens [on] the dealers.

Finally, our colleagues at the CSA have to keep the interests of the junior capital market in mind when they're introducing or contemplating the introduction of sweeping policies for securities regulation. A perfect example was the comment paper on early warning that was issued, I believe, back in May or June *[Editor’s Note: The CSA Notice and Request for Comment on amendments to the early warning rules was published on March 13, 2013]*. Now, to the credit of the authors of the CSA paper, they recognize that there could be an impact on investment in junior capital companies. The reality is, if that policy had gone in without consideration of the impact on the junior capital market, investment in the junior capital space would have been devastated. You would have seen a forced sale of stock by many institutional investors from their junior capital portfolios, and it would have constrained capital into the market permanently.

And so, as we see what comes back from the CSA on that particular issue, we hope very much that there's a sensitivity shown to the needs of the junior capital space.

MR. BOURQUE: Thanks, Richard. Those are excellent comments. And just very quickly, any response from the panel?

MR. McCOACH: There's a lot of really important issues that have been raised in the last 10 minutes. But I alluded to this earlier, that when competition came in to the traditional exchange space around the world, everybody was fighting for market share, and that did happen in Canada five, six, seven years ago as well. The pricing models we have in trading are a result of that competition. I don't know if anybody really wanted these pricing models, but the maker-taker, for example, and other things that have been alluded to, were initiated by competitive marketplaces, alternative trading systems, that wanted to essentially buy or capture some market share (Alpha, Aequitas proposes to, CNSX). I don't blame those marketplaces for doing that, because they're trying to build a business, and I don't blame them for using every opportunity they have to promote their perceived value-up proposition.

But I think it's important to understand how we got here in the pricing models that Bill was talking about, and from Bill's point of view, I expect he doesn't really care how we got here, but these are real costs and we recognize that. And, in fact, just about an hour or two ago we just submitted letters to the Securities Commissions, proposing pricing models that will eliminate the trading prices on the value that Bill was talking about, that small value trade gets charged by the number of shares that are part of the transaction. So that has changed.

We're also introducing, today, subject to Commission approval, two-tiers. Currently, there's a tier pricing at a dollar or less. We're introducing a second tier at 10-cents or less. So that pricing will, again, be dramatically dropped, and these will be significant savings for the dealer community there.

And as a result of all of that, we had a very modest maker-taker, one mil spread, which probably means nothing to most people here, but we're eliminating maker-taker. We've proposed to eliminate maker-taker on the venture market*[Editor's Note: The proposed elimination of the maker-taker model on TSX-V would only apply to stocks priced under $1].*

MR. BOURQUE: Let's go quickly to the audience. We've had a lot of views and a lot of content, now, on the table, and looking for questions from the audience.

MR. PAGE: It's a question primarily for John McCoach, but I'd like to hear the views of anybody on the panel that would like to comment. On the assumption that convergence of the bid and ask price determines the market price at which a security changes hands on the market, what is the rationale for the Exchange to impose an arbitrary minimum price when an issuer issues shares from treasury, in this case a minimum price of five cents, when many companies are trading below five cents and, therefore, are unable to effect a financing?

MR. McCOACH: I acknowledge the five-cents is an arbitrary number. It has been part of this market's tradition in Canada for decades, to encourage consolidations, as opposed to a market where shares are trading at two, three, four cents, and companies are being financed and further diluted at those prices. There's no right or wrong answer. Other markets, Australia, some Asian markets, do the opposite. I would suggest that it has been successful in Canada. This is not something that we dreamed up in the last few years; this is the tradition in the market for, as I say, for decades.

MS. PAVALOW: I'd like to answer that, also, because actually, in the U.S., they do have a minimum price that was put in during the era of the penny stock scandals, and the intent was that to the extent you had a more expensive stock, you would be less able to manipulate. So that was one of the reasons they gave.

But I would say there [are] other reasons. I think the price of a share is a proxy for the value of the investment, and so there may be some reason for having a minimum amount value in order to, first of all, support the liquidity and support the confidence in the securities. So I think there's a lot of reasons why you might want to have a minimum.

MR. SHORE: I just spoke with John [Kaiser], and he says the numbers that you're using are a little off. His current numbers are 816 companies out of 1,774 on the TSX and TSX-V that have less than $200,000, which is his survival level. 740 of 1,407 on the TSX-V have less than that. He just got a bunch of quarterly reports that show that those numbers will be going up.

MR. BOURQUE: Any other questions from the audience?

MR. VERSFELT: I've already made a comment about the accredited investor rules, and I asked Bruce if he would comment on it, and I'm going to ask now. Bruce, could you please comment on the accredited investor rules and how that's impacting on the junior companies?

MR. McLEOD: I think I also told you that I don't want to front-run some of the questions that I'm privy to happening later. It is an issue, and what a lot of people think the accredited investor rules do is shut out the average retail investor who may buy and sell a trade from financings, and it creates a very small group that is allowed to participate.

I think if you look at retail investor participation in this market, I might have to look to some guys like John Brock in the audience, who was actually around when they had these regulations alive.

I think that when you look at institutional versus retail participation, particularly in financings, I think the day they got rid of the SMFs is the day that you saw the divergence. And Statement of Material Facts were cheap, easy public financings.

I think that they have to be looked at because one of the things that I've certainly stated before, is the accredited investor rule looks at only one thing. What is your ability to lose money without impacting your lifestyle? What are the metrics that would be more appropriate?

I was in a meeting, discussing that very subject, and there was a group of very sophisticated people that probably didn't make the cut for an accredited investor in terms of their net worth. The question I posed - it was a group of engineers, geologists, accountants - I said, "How many of you in this room feel that you have the ability to read and understand a company's public disclosure and make an investment decision based on that?" A lot of hands went up. I said, "How many of you actually meet the accredited investor threshold?" Not very many hands went up.

So even if you have a background in geology and you can read a 43-101 [report] and understand it, you don't have the ability to participate in a public equity offering in that company under the accredited investor rules. If you're an accountant, or you've just got 10 or 15 years of experience in investing in junior stocks, I think that that should be opened up when we talk about regulatory change, regulatory innovation. I think there's a more appropriate model, it's just not your ability to be able to lose an investment. And I think that is something the regulators can do.

MR. WHITEHEAD: I also have some comments on that. We have lots of clients that have been investing in the junior resource market for decades and decades, and they don't meet the sophisticated purchaser exemption. They may have $5 million worth of real estate, but the exemption comes under the terms of $1 million in liquid assets *[Editor's Note: Someone with $5 million in net assets is also included in the definition of "accredited investor"]*. They might not make $200,000 a year, but they're very, very sophisticated clients, and they cannot participate in the private placements that we do when we put together and start a company.

We have other clients who, because, unfortunately, mom and dad passed away, they've inherited $2 million or $3 million, and all of a sudden they become a sophisticated purchaser, and they know absolutely nothing about the stock market. And I agree with Bruce, it needs to be re-evaluated. The brokerage houses, in the final say, are liable for what happens with each and every client that we have. I believe that the independent brokerage houses should have more ability to decide who is a sophisticated purchaser and who is not a sophisticated purchaser.

MR. BOURQUE: I'm going to ask Randee to respond and give her a question I had on my list for later, but we're talking about it now, because it's relevant to the question that was just asked. And the question is this: Yes, we could change the thresholds for accredited investors, increase the pool. We know in Canada, from Stats Canada data, it's quite small. But given that, are there potential accredited investor investment dollars available for venture market investments in Canada, and how can the markets tap those dollars?

MS. PAVALOW: I recently read a report that said, if the accredited investors in the U.S. released one percent additional funds to what they've currently invested, we'd be talking about $8 billion. And if you did a 10:1 ratio, you could maybe say like $800 million in Canada. But even if you said $500 million or $400 million, that's still a lot of money.

So I believe there's a lot of untapped capital in Canada that's not being directed in the right place? That's why we think there's a need for a private market. And so for me the issue is not about how do you define "accredited investor", although that is a very important issue, it's really about is the public market, by itself, enough, or do we need to have viable alternatives, like a private marketplace?

And if we do need to have alternatives, then how do we get it to the right people? What is the right target group? I mean, our own particular model is we're going to only allow access through dealers, so we're not going to disintermediate. And I actually like the idea of the dealer being responsible for the suitability and deciding whether the client's appropriate or not.

But I think it's not just who should qualify, but where is the right place to find that capital.

MR. BOURQUE: I want to talk, now, about something that we've been talking about a little bit, and that is trading issues, high frequency trading and short selling, and the impact of those rules on venture market places and on venture companies.

So Bill, first question for you: How big a problem do you think high frequency trading is for junior mining stocks, and can you give an example of an HFT trade affecting your clients?

MR. WHITEHEAD: I've heard it only represents five percent of the volume of the Exchange. I notice it all the time. I only trade, or I've only invested in, at any one time, maybe 20 or 30 issuers, and I see it.

I think the part that really upsets me, I'm a retail broker so we have clients that follow the market and they say, "I've got this $5 stock, I want to buy 2,000 shares at $5," and the stock's offered at $5.10. So I go and put that order in, and when you look at the line-up in there, there's six orders in front of my order, all for 100 shares each. So I looked at that and I said, "Well, that's just too weird, that I was just about to enter that order and six other guys got their orders in there first."

And it's not a lot of stock, but because their computer systems are so fast, when I hit "enter" they automatically jump in front of my order. Maybe it makes no difference to an institutional account when buying hundreds of thousands of shares, but to a retail guy, he looks at me and goes, "Well, I just gave you that order. How did that 600 shares get in front of us?" And that's the high frequency trading.

It is an unlevel playing field. They should not be able to jump in front of orders because they have a better computer system. We've had examples of being able to buy stock in the $2.50 range on an illiquid company, and the stock moves up a little bit and all of a sudden there's four or five or six high frequency trading systems that, through some algorithm, decided this is something now we should do. So they creep in front of our order, and then one of them will high-tick the stock, and all of a sudden the stock's up 15 cents, it's traded 100 shares or 200 shares, and for no other reason than their algorithm said that that's what they should do.

And then the next day, or hour later, all of a sudden a bunch of bids come in from other retail orders or institutional orders, and our client is sitting there trying to buy stock when, really, the stock should have never traded on a 15-cent uptick. And it's only done by a computer system, and I don't believe they should be allowed to jump in front of orders.

Do I care if a high frequency trading system comes in behind our order? No, I don't. But I think it's a big problem, and if I notice it I'm sure that hundreds and hundreds of other brokers notice it as well.

MR. BOURQUE: So Randee, you've just heard the problem. So are you proposing that we sort of go back to the future by excluding these types of trading strategies with high frequency trading from some of your proposed markets, and bringing back or enhancing the role of the market-maker? Are we going back instead of forwards?

MS. PAVALOW: No, we're not proposing that, but we are proposing dealing exactly with the issues that were just discussed.

And so just to give a little bit more flavour about what's going on with HFTs, so first of all, in the senior market we're more talking about 30 to 40 percent of the market, compared to the U.S. where some say it's over 50 percent. Just to give you a sense of what that means for our markets, way back in the '90s, when we looked at order to trade ratios (that is, how many orders does it take to get a trade), we were looking at 4:1. Now we're looking at over 35 orders to get a trade, and some of these high frequency traders actually can submit hundreds.

And, in fact, what they are expecting, today, to have a round trip; that is, from the time they push the button, send the message out and come back, they want it in basically half a millisecond. Just to give you a sense of what that means, it takes about two milliseconds for the blink of an eye. So that's how fast they are. And because they're so fast, what happens is exactly the issues that was just discussed.

So [Bill] gave a very graphic picture, but we actually are going to be putting on our website an actual visual of exactly that movement and how those hundred shares move in and out and what it does to the spread *[See Aequitas webinar "Understanding Predatory High Frequency Trading"]*. But basically what we're talking about is an impact on market quality, and the formal names, we talk about layering, we talk about order book fading, meaning those things disappear, we talk about exploratory trading, all of which, from our perspective, is crowding out the traditional investor.

So the solution we have is not to exclude the HFTs, but what we're trying to do is to create three liquidity pools. So instead of just having your lit book, we also have the dark pool, and we also have what we call a hybrid, which is part lit and part dark.

The interesting thing about our hybrid and our dark [pools] is the liquidity-taking is limited to buy side and retail investors. And by doing that, and also by not having a maker-taker fee model in those two pools, we expect to basically not incentivise the bad trading behaviour and to actually allow those who need some of that protection and need to see the market structure being rebalanced, they'll now have a place to go.

Interestingly, this is now the topic of an OSC request for comments, because there is some concerns by the regulators about us trying to limit the access to the traditional investor. But that's our current solution.

MR. BOURQUE: So John, Randee called it "bad trading behaviour," and we know the jury's out on high frequency trading. There's those that think it supports markets and liquidity and those that obviously think it's detrimental. I'm going to give you a quote from Eric Sprott, who said, at a recent Investment Industry Association of Canada conference, "You must know in your heart that HFT is the death knell of markets."

What's your view on this, and do you agree with Eric?

MR. McCOACH: No, I don't, but I do definitely acknowledge the anecdotal evidence that's out there, as Bill just gave an example of that. People are frustrated with different strategies as going on in trading. But it's most likely not high frequency trading.

If I can jump back for a second, the actual high frequency trading number on the senior market is more like 20 percent, not 30 to 40 percent. On the Venture Exchange, depending on how you measure it, because there is no clear definition of high frequency trading, if you measure by order to trade ratio, which is typically people pick a number, 10, it's about two percent of the trading volume. And if you measure it by the short market exempt designation (the SME designation), which is not all high frequency trading, but it's about six percent. So it's somewhere in that range.

But even if you look at the most active stocks on the venture market, the 40 most active stocks on the venture market in the last quarter, only four of them had high frequency trading as defined by either of those two measurements over 20 percent. That doesn't mean that there is not a lot more algorithmic trading going on in our market, in markets all around the world. But it's more likely a prop *[proprietary]* trader that could literally be down the hall from you, Bill, or at a brokerage house down the street, or just somebody who has developed an algorithmic trading method that has a different strategy than you and is frustrating your order.

That's definitely happening. IIROC is very aware of these issues. I don't want to speak for IIROC, but they're monitoring that. And what I think the solution is, we look at the nature of trading, and if there's problematic or if there's improper predatory trading, then I don't think anybody would disagree that that has to be dealt with. But making high frequency trading the boogieman is not really going to change the situation.

MR. WHITEHEAD: My strategy is to make my clients money, and the high frequency trading is costing my clients money. If it upticks a stock artificially, then my clients step in and say, "Oh, I couldn't buy it at $5? Okay, well, I'll pay 5.15, because that's where it last traded." It didn't really trade at 5.15. That hundred shares that traded at 5.15 is now offered at 5.17.

MR. BOURQUE: So the jury's out on high frequency trading and obviously there are strong views on both sides, plus, the evidence, itself. That's something that the Commission will be looking into in the coming year.

John, back to you. Short selling. In 2012, IIROC eliminated the uptick test for short selling. TSX didn't object. Are you sorry you didn't, and was the uptick test, as a curb on short selling, was it beneficial for venture markets?

MR. McCOACH: I've actually got more mixed feelings on this issue. I understand where IIROC was coming from. Again, I don't speak for them, but the main objective was to create uniformity with markets around the world that don't have a last tick or an uptick rule. And you can certainly make an argument that [a] free market solution should be the answer here. If somebody wants to bet against a stock, they shouldn't have artificial barriers to trading it, and market forces will determine the value of the company.

I get all that, but I am actually, personally, more sympathetic to the venture companies on this particular issue. I think our market is different. I'm not sure that it's that important to have uniform trading rules internationally. I think somebody short selling a stock that's maybe at 10 cents or 15 cents can take momentum out of a stock much more so than a liquid stock trading at $5 or $10. So I have a lot more sympathy on this issue.

MR. BOURQUE: Bill, I'm not going to leave this without giving you a chance.

MR. WHITEHEAD: Yeah, I think the high frequency trading takes advantage of that situation, too. You see news announcements and you go, well, that's pretty neutral. You look at the stock and it's down 20 cents and the first 20 trades were all 100 shares, 100 shares, 100 shares, 100 shares. Then you get a real order comes in and then it's 100 shares, 100 shares, 100 shares, and just keep knocking it down. I think it takes advantage of that by being able to do that. Our markets are not liquid enough.

Bad news, itself, is hard enough to recover from. Bad news with being able to downtick markets, [is] devastating for the retail client. He'll look at it and go, "Well, jeez, the news looked okay to me, but the stock's off 25 percent today. I better get out." And all of a sudden, the next day, the stock dries up, the stock stabilizes, and a week, two weeks, a month later, the stock's right back where it was. The retail client lost more money, and he didn't need to lose the money. He was taken advantage of by sophisticated trading, and I think that's wrong. It should be done on an uptick.

MR. BOURQUE: Bruce?

MR. McLEOD: We deal in a very different market than most of the world in that if you look at most companies that are public, people look at their earnings, they look at their PE ratios compared to their peers and they'll move up, they'll move down. We are an event-driven market in exploration and development. And what happens is you may have a company that drills 10 holes, they're okay, it's not clear that it's an economic deposit.

And what's very perplexing to me is following a lot of peers and other companies, and being an active investor in this business. Looking at somebody who makes what appears to be a bona fide discovery and that event-driven news that shareholders have been waiting for happens, and the bids build in pre-open, and the stock all of a sudden gets capped. Really this is a momentum market. To have an active and an effective junior exploration market, it's event-driven. To have high frequency trading that can kill that momentum because all of a sudden you [have] an imbalance in orders, is something that I think has really impacted our market. It kills momentum, and I think that is the biggest detriment to our sector. And whether it is prop *[proprietary]* groups trading in the back office, whether it's HFT, I'm not the person to tell you that should or shouldn't be allowed. What I am saying is, it's changed and it has very much hurt our marketplace.

MR. BOURQUE: Randee?

MS. PAVALOW: I want to bridge the gap. I don't actually think it's a short sale rule issue; I think it's an unexplained volatility issue. And those are two different things. I think the concern is, we see volatility and no one can explain it. We think it's because of short selling. It could be because of HFT behaviour. It could be because of something else. So I think we need to understand the cause rather than just automatically just blame it on the short sell. But I think there is that issue of unexplained volatility.

MR. BOURQUE: Okay. Bruce, I want to go back to you on a question that was raised in Peter Brady's presentation, and Bill has raised it as well. That's the health of the retail independent brokers. Ten years ago we understand there was about 30 independent brokerage firms focused on venture markets, financing, and trading; today there's about eight. Two questions: Does this matter to the health of the venture market, in your view; and, does it affect the ability of junior companies, like yours, to raise money?

MR. McLEOD: Absolutely, it matters, because, when we talk about we have a specialized market, we also have a group of specialized brokers, independents, largely. The banks certainly are more in the sector than they have been historically. But really, the start-up companies that are raising their initial capital that have a group that [has] on their staff, as Bill said, qualified geologists, engineers, do property visits, do proper due diligence, I think those are a very important part of our sector. And having those companies disappear because their trading revenues are down, and a number of other issues, has certainly hurt this sector, because it is a very highly technical sector. From an issuer standpoint, I certainly feel better when you've got somebody on the other side that is supposed to be the gatekeeper between [an] investor and making that investment that can actually opine on the quality of that investment and has a back office and the resources to actually be able to evaluate it. It's important for not only from the support but also from the market integrity standpoint.

MR. BOURQUE: John, what's the impact on your business?

MR. McCOACH: It's absolutely an issue. This is actually one of the issues that does keep me awake at night, and there's obviously no easy solution. So there are a few things that we're doing. I think the trading pricing proposal that we submitted today will hopefully help a lot. There's other things: other prospectus exemptions for existing shareholders, where brokers can get involved in financing those companies, or rights offerings, where brokers can get involved will also help.

But there still is a big shift here that is causing concern. The 30 to eight number, though, on the other side of it, that doesn't tell the whole story. The Canaccords, the Raymond James, the GMPs, and stuff like that, are not included, I assume, in that eight. [If]this market starts coming back, those 15-cent stocks start to go to 30 cents, and those firms will be back in there. They'll be financing those companies and they'll be trading those companies, because they can make money at it, so they'll clearly be back. When those stocks start going from 50 cents to a dollar, the banks will be back. They say they don't fund junior companies, but every bull market, they're back in there not only funding companies [but] leading transactions.

MR. BOURQUE: Patricia, on that, the role of bank-owned dealers in junior mining financing, do you have any information for us on that?

MS. MOHR: Well, we do have quite a number of investment bankers who are very interested in facilitating M&A *[Merger and Acquisition]* activity in the junior mining space and raising particularly private equity capital. Of course, we maintain geologists, mining engineers, who can really evaluate properties properly and hopefully get some true value for them, which is perhaps not always something that happens on the public exchanges. Definitely we have some great mining engineering staff and geologists very happy to look at junior mining opportunities.

The banks traditionally haven't, of course, been lending a lot of money to the junior mining space, except in very exceptional circumstances. But private equity capital, definitely.

MR. BOURQUE: Okay. I promised we'd get to the retail investor, so I want to talk about the retail investor, now.

Question for you, Bruce: Have you seen a reduction in retail investors or retail investor interest in investing in your companies or junior mining companies, generally?

MR. McLEOD: Well, it's certainly across the board. I think there has been certainly less retail involved, as there's been less institutional involved. If you look since the beginning of 2011, the Dow's up 32 percent, the TSX/S&P, even the metals and mining index is down 50 percent. The TSX, although it's very modest, has new highs over the last two years. So certainly when you're in a sector that hasn't had the returns, you're going to see an exodus, you're going to see an outflow of capital.

But I think on the other side is you have a disenfranchised retail investor. Why are they disenfranchised? It's because they haven't had the opportunity to participate in public financings. Public financings are expensive. They're time consuming. By the time you put together a prospectus, windows open and windows close so quickly compared to what they did historically, that many times the only way you can raise capital as a public company in a cost-efficient manner, in a fast manner, is with private placements. And, of course, you have to be accredited in most private placement circumstances, other than in friends and family and other exemptions.

When you look at the negative from that side, is a four-month hold, unless you're clearing by a subsequent prospectus. And four months, with the way information flows today, seems like an entire investment cycle.

So you have had that disenfranchisement because they haven't had the ability to participate. And I think that is also leading to the lack of retail that will trade. You've got people that have been there at an IPO *[Initial Public Offering]*, the first prospectus they were allowed to participate, maybe the second financing, and then they see financings, and particularly where there's shares plus warrants, they don't get the opportunity to play and they say, "Well, you know, this game is rigged. It's for somebody else, it's not for me." They don't see it as a level playing field, and I think that is something. We can't change what our index is going to look like in six months from now, but what we can do, I think, is level the playing field and re-enfranchise some of those retail shareholders, and some of the smaller institutions.

MR. BOURQUE: So John, the Exchange did some research that TSX-V listed companies are increasingly looking for money privately, and they're using finders to find money privately. Does that concern you? Who is the retail investor you want coming to the TSX-V, and are you doing things to encourage that kind of investor to come and invest in the public markets?

MR. McCOACH: Well, it doesn't discourage me that public companies on our exchange are going out and making use of the accredited investor exemption. I think we should define what the issue is. The accredited investor exemption is not a problem, in my opinion; the accredited investor exemption is a great tool. What I think we're talking about, should there be other tools? And I agree completely with Bruce, that retail investors do feel disenfranchised, particularly when companies are trading at the prices they are today. So these financings are very dilutive to the existing shareholders.

So what we're advocating for, and working with the commissions, are introducing new exemptions for existing shareholders or fixing the rights offerings, both on a long-term basis and, hopefully, we can find some solution to fixing it on a short-term basis. So we can engage these retail shareholders so they can participate in these financings without being diluted and therefore, frustrated.

So I'd like to open up as many avenues as possible for listed companies to access capital, but I'm very focused on keeping the retail shareholders engaged in the market.

MR. BOURQUE: So Bill, you talked about your business and how you work with investors (retail investors). How do you manage to walk the line between the speculative nature of the market and the regulatory framework, which is more and more being biased in favour of safety and security and low risk? How do you deal with your clients so that they can actually invest in the venture market?

MR. WHITEHEAD: I operate my book probably different than most IAs *[Investment Advisors]*. If you want me to recommend safe investments for you, I tell you to go somewhere else. It's not what I do. I'm a risk-taker. And we tell all our clients. There's not one client in my book that doesn't know he's risking his money. Every single client knows he's risking his money. And they're not 12-year-olds, they know what risk is. We treat them like they're 12-year-olds sometimes, but they're not. If a client has a couple of million dollars in net worth, we're like, "Look, you've got this, you've got a good job, you've paid your mortgage off, you can afford to risk some money."

In a good market, we can take $100,000, $150,000, $200,000, and hopefully, turn it into $600,000, a million, two million dollars, in a good cycle. And we did that from 2004 to 2008. We had dozens of people that bought homes based on making money in the penny stock market.

Right now it's tough. People are losing a lot of money right now, and I don't think there's a quick fix on that. I think what's happened here recently with the independent broker dealers, there's been some discussions going on about adding some new venues for funding that would allow an existing shareholder of a public company to buy shares directly from the pubco *[public company]* without any form, without any potential hold period. I think that will go a long way in helping the retail shareholder make money again. Right now, he can't participate unless he's a sophisticated purchaser. Under these new potential rules coming down, a retail client, as long as he's an existing shareholder in that public company, will be allowed to participate in a funding, which will give the pubco *[public company]* money, the independent brokerage houses will be paid a fee, and that's a good thing, by the way. So we're hoping that that's going to go through. There's been a lot of talk here recently, there's going to be some more. I'd like to think this could happen, I'm hopeful that it will happen, and I think it will be a real saving grace for the retail client, the guy that doesn't meet the sophisticated purchaser exemption, to make money again.

MR. BOURQUE: Okay, thanks, Bill. Now, we're going to come back to the panel for a wrap-up question, but before we do that, I'd like to open the floor again for questions and invite any questions you may have from our audience here, today.

MR. NYQUVEST: I just couldn't see us break without a question. My question is: The main function of any market is to take people with investment funds that want to invest in companies that create jobs and whatever else. High frequency trading or who makes a penny a share is a distraction from what the main purpose is. The main purpose is to invest in companies that create jobs and growth in this country, and to provide a level playing field is the main mandate, if I'm not mistaken. Will we all agree on that?

MR. BOURQUE: Good comment.

MR. BROCK: Just back to the HFT chapter. It should also be mentioned that HFT activity is severely impacting private placements *[Editor's note – This relates to private placements of public companies]*. A private placement can be announced at five-cents or 10-cents, and almost without exception you can see HFT activity immediately thereafter, turning that five-cent price into four cents or three cents. It happens regularly. It's a huge problem. I don't know the answer, but I'm glad that everybody else is concerned about HFT for a variety of reasons, and here's one more reason.

MR. BOURQUE: Good comment. Any other questions or comments from our audience?

MR. ASHTON: I was 44 years in the business, as most of you know. As Bruce said, we've got a different market than the national markets or the international markets. Why don't we just ban high frequency trading on the venture capital market?

MR. BOURQUE: Does anybody want to take that on?

MS. PAVALOW: Even though we at Aequitas do see lots of the harm that all of you are talking about, we also acknowledge that HFTs have brought liquidity, and there is evidence that they've brought some liquidity. So the reason why this is a difficult issue is you don't want to throw the baby out with the bathwater. So our view is, you need to create market structures that separate the bad behaviour versus the good behaviour versus getting rid of all of them all together.

The other thing is, a lot of this is facilitated by the maker-taker model, and that was not a requirement. Exchanges have voluntarily implemented that. We have made the public statement that although in our lit market we will have a maker-taker model, because that's the only way we compete, we will reduce the rates if any other exchanges are willing to reduce their rates.

I can tell you, in all the comment letters that we received from our competitors, none of them raised that issue. So I was very happy, John, to see that you guys were taking a look at that issue for the venture exchange. But I don't think it's a simple matter of just banning all HFT activity.

MR. McCOACH: Well, I'd suggest we did more than take a look at it. We made a formal application, today, to get rid of maker-taker pricing *[Editor's Note: The proposed elimination of the maker-taker model on TSX-V would only apply to stocks priced under $1]*. So I'll throw out the challenge to CNSX, Pure Market, and Aequitas, to have no maker-taker pricing on their markets.

MR. BOURQUE: Okay, good. Other questions, comments from the audience before we go to the panellists for their wrap-up?

MR. GODINHO: I think Bruce made a very interesting comment regarding the hold period and the fact that technology has changed significantly over the past few years. Has the Commission given thought to reducing the hold periods on private placement exemptions in these types of markets?

MR. BOURQUE: So that's a good question, and I'm the moderator, so I'm not going to answer it, but we'll certainly take it under advisement.

Before I go to the wrap-up for the panellists, Patricia did a little work for us on preparing a slide on China and the impact of slowing growth in China on venture markets, and I didn't want to leave the presentation, today, without putting that up and asking Patricia if she wouldn't mind speaking to that.

MS. MOHR: What this chart *[See Slide 4 in Patricia Mohr's presentation]* shows is just how dominant China now is in global metal markets. And if you look at the little table at the bottom of the slide, you can see that China now is 46 percent of world demand for the four key-based metals; that is, for copper, zinc, nickel and aluminum. The U.S. is less than 10 percent. So China, now, is a four-times bigger market in volume than the U.S. And that's actually one of the reasons, as an economist, that I actually spend more time looking at the outlook for China, now, than I do at the outlook for the United States. The new leadership in early November will be unveiling a new reform package for China. This actually is really important for the mining business and for all Canadians. The small chart on the top, this simply plots China's industrial production, year-over-year percent changes in the red against the G7 in the blue. You can see the terrible plunge in the G7 during the 2008 recession. And China, industrial activity slowed to a low of 3.8 percent year-over-year in January/February 2009, but through their massive infrastructure spending program

[and] record credit expansion, they got it going again very quickly, by March '09. Ever since then, until around this year, industrial production [was] growing over 10 percent year-over-year annually. It slowed a bit this year. August was a good month, 10.4 percent year-over-year, and you can see the G7 on the bottom, real underperformance, of course.

The one thing that I have noticed about China (I speak quite often at China Mining, which is the biggest mining convention in China, that now takes place in Tianjin once a year). A few years ago, if a junior mining company from Vancouver went to that conference they'd get a bid, probably about 10 of them, for whatever deposit or project they had going. But I think the interest by Chinese investors has actually waned a little bit in the past couple of years. I would encourage the industry and the exchanges to try and reconnect with Chinese investors and see if you could get that interest moving up again in venture mining companies.

MR. BOURQUE: We've covered a lot of ground this morning, from across the desk with the retail client to the growing dominance of China in the metals markets. So what I'd like to do is ask each one of our panellists just to share any final thoughts [you] have on the state of the venture mining market, the challenges faced by the market, and any solutions that you might propose that would be useful.

So starting with John.

MR. McCOACH: Well, there's been a lot of fascinating discussion, I think, in the last couple hours, but a lot of it is about the challenges, and I'm glad we get a chance to talk about some of the solutions, because I think there are some solutions.

We can't impact the macro economic issues, but there are things that we can do, and we've touched on some of them. There are others we can do. We can deal with the trading issues and the cost of that. We can deal with trying to open up the access to capital with the rights offerings and the other prospectus exemptions. As an exchange operator, we know that there are things that we can do to reduce some of the friction in dealing with the Exchange, and that's where we're very, very focused on doing that. So that's my commitment to you and the industry and working with the Commission in doing that.

I feel your pain. [We] live it every day, ourselves, in our business. But I hope the industry will continue to hang in there. I think you're in the right business. Patricia's slide is very good evidence of that. The world does need what the mining industry produces, and it will continue to need more of it, I believe.

So if you think commodity prices are going up, if gold's more likely going to be $1,500 than $1,000, or copper $4 as opposed to $1 or something, then you're in the right business, and it will be better.

MR. BOURQUE: Bruce?

MR. McLEOD: The reason that we've got the best junior mining venture capital in the world in Canada, particularly in British Columbia, where we have the largest concentration of explorers, is not because we have the best mineral deposits in British Columbia, it's because we have the best people. We've got the best geologists, the best engineers, the best lawyers, financiers, and to keep this community together, we're also going to need some help from government, from regulators. [For] government, the exploration tax credit side, that can be looked at hard. From the regulators, I think Doug [Hyndman] had it right, and hopefully, with a transition office and looking like we may be moving forward with a national regulator, don't lose sight of your Continuous Market Access dream. I think that that is the closest thing to a panacea that I've been able to see since I've been involved in capital raising.

If you look at the financial burden of the exploratory company on what we've had to do in order to maintain and have continuous disclosure, that is world class. We need the benefit for all that cost, and I think that regulators can certainly help in that regard. They have to realize that exploration companies are not TSX300 companies and 25 pages of MD&A *[Management Discussion and Analysis]* to talk about the holes that we drilled in the last year is actually counterproductive. I think if we can have shorter forms that our investors can actually read and understand and get something out of, they may actually read them, if they are more condensed.

So I think we're at a crossroads right now. We have a choice to make. We can continue to be part of the best venture mining exchange and group in the world and adapt, or we can be part of history.

MR. BOURQUE: Patricia?

MS. MOHR: Well, I think that we're approaching the bottom in the metals cycle. I don't think we're quite there yet. But I think for smart equity investors, early next year probably would be a good time to position into something like some quality copper deposits and stocks. I think it's going to be a couple of years before the metal and mineral prices and the equity market really lift up broadly. In the meantime, I'd like to see the Federal Government extend the mineral exploration tax credit not just for one year, but for three years, to try and facilitate flow-through share issues.

And I would like to see the Provincial Government extend some assistance to junior miners in dealing with their relationships with the Aboriginal community. I think that would really be quite helpful.

And thirdly, I encourage all of you to really continue to utilize the mining exploration conferences that are available. For example, the AME BC conference on exploration, which usually occurs in January in Vancouver. All the junior miners, I hope, are going to be there so that the retail investors actually know what great opportunities are really there for them.

And I would say I think the PDAC does an excellent job at really engaging investors from around the world and keeping interest in Canada as a mining area. I think they do an excellent job at that. So I encourage you to all come to PDAC as well next March.

MR. BOURQUE: Randee?

MS. PAVALOW: I'm generally known as somebody who takes a slightly different view on things, so I think I'll just continue and live up to my reputation on that. I think Aequitas was created to address a lot of the issues that we talked about today. And, in fact, I think I mentioned we have been out [with] a request for comments, and we received almost 40 comments.

There was only one area of the comment process that I was really, really disappointed in, and that was the request by many people for the regulators to take action. I would argue that we need, as a community, to be able to bring innovation and deal with issues. If we are going to only rely on the regulators and hold them responsible for our market design, I think we'll not be in a very competitive situation. So I would actually argue for more of us in the room to come up with the solutions and to rely less on the regulators.

MR. BOURQUE: Bill?

MR. WHITEHEAD: I agree a lot with what you said there, and Bruce as well. I think there's a few things that we can do, and nothing is going to turn the tide right away. If we all chip in, I think there's opportunity to get things righted away.

One of the things I remember back in the early '90s, the Federal Government issued a lifelong capital gains exemption where I think people could make $500,000 tax-free, or maybe it was $1 million tax-free. I think lobbying the Federal Government to re-implement that program would help people to look at opportunities to make money when the market does turn. I don't see that helping right away, but I think that would help somewhere down the road here.

If we could streamline the BC Securities Commission to make it simpler to do business and to get things done, it would make it a lot easier for us to do business. The brokerage houses are already accountable, the brokers are accountable, and if the broker doesn't pay, then the brokerage house pays, so we're already accountable and we already have lawyers and accounting people and credit people that oversee everything we do and everything we want to do, and everything we thought about doing. I think we can do that job.

And the last point I'd make is, just about everybody in this room probably has a vested interest in TSX Venture Exchange. You might want to look at your own accounts and look at where you're trading. If you're using TD Green Line because it's a little bit cheaper, you might consider using an independent brokerage house, because I really believe if the independent brokerage houses don't survive, there's no go-between from the client base to the market. So I think you guys should really look at that.

MR. BOURQUE: Thanks, Bill. I'm now going to turn to our Chair, Brenda Leong, and ask her to close the proceedings and thank our panellists.

MS. LEONG: You all promised me a lively and provocative discussion, and I think you delivered.

A lot has been said this morning in a fascinating discussion and that's exactly what Capital Ideas is about. I want to thank Paul Bourque, our moderator, Peter Brady, our Director of Corporate Finance, Paul Levelton, KPMG, John, Bruce, Patricia, Randee, Bill. I really appreciate your coming out and sharing your views and being very candid in sharing those views, because it's that kind of open dialogue that really gets us all thinking about the problems, the challenges that we're facing, and some of the solutions.

I was going to try and sum up what was said here, but there was so much that I don't think I would be capable of doing that. I think the closing comments actually did a good job of doing that. But a couple of the takeaways that everybody did agree on. What we know is that there are many contributing factors to the challenges that the junior mining sector is facing. Alot of those relate to macro issues, slow economic growth, global financial issues. And John, you said it well, those aren't things that we have control over. But there are some things that we do have control over, and we see that there were a lot of comments I heard around the retail investor being reticent to invest in the junior mining sector because they're adverse to risk at this time. Changing demographics, I talked to some of you at the break and you nodded your head and you acknowledged, "Yeah, I used to actually invest a lot in junior mining, but my portfolio has changed," so I think we all need to pay attention to that.

And I do take away the comments that were made on regulation and regulatory costs. And some of the things I do want to leave with you, that our Commission and the CSA [are] looking at some of the proposals that were outlined today; we are looking at the capital raising exemptions; we are looking at additional ways to access capital for junior mining companies and other venture market companies. John tells me there's some proposals that have hit our office today. We'll look at those and try and move quickly on those.

So, I think there are many, many opportunities here, despite all the challenges, for all of us to contribute to supporting this vital and important sector, both to the BC economy and to the Canadian economy.

So I want to thank all of you for attending this morning.

--- PROCEEDINGS CONCLUDED