

# EXCELLON

September 5, 2014

## BY EMAIL

Ontario Securities Commission  
Market Regulation Branch  
20 Queen Street West, 22nd Floor  
Toronto, Ontario M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

### **Re: Application of Aequitas Innovations Inc. for Recognition of Aequitas Neo Exchange Inc. as an Exchange**

I am writing to express support for the recognition of Aequitas Neo Exchange Inc. as a new Canadian exchange. I am President and CEO of Excellon Resources Inc., a junior silver producer with operating projects in the states of Durango and Zacatecas, Mexico. Excellon's shares are listed for trading under the symbol EXN on the TSX. I have previously held positions as director or officer of other junior resource exploration companies and began my career as an M&A and corporate finance lawyer at Davies Ward Philips & Vineberg LLP.

I wholly support the steps that Aequitas is proposing to improve the quality and choice of stock exchanges in Canada. Historically, Canadian junior resource issuers have been at the forefront of the exploration, discovery and development of world-class mining assets. Canadian capital markets have provided the seed financing for these ventures, which have resulted in both incredible returns to Canadian investors of all classes and important contributions to Canadian society. The model is in jeopardy.

In recent years, particularly since 2011, though more broadly since the 2008 financial crisis, the junior issuer in the resource sector has witnessed an incredible deterioration in market quality and liquidity. One prime culprit is predatory high frequency trading, which has driven away genuine investors by both sucking liquidity from the bottom of the market (where it is most needed) and skimming from trades at the top. By their very nature, predatory HFTs chase liquidity, thus spiralling trading volume away from the vast majority of listed companies to an increasingly small sliver of hyper-liquid issuers where predatory tactics are most effective. The "market-maker" has become myth, unsurprisingly, as supportive bid-asks are easy pickings for predatory HFTs. Trading spreads have ballooned in the junior sector of the market and investor confidence among both institutional and retail investors are at generational lows.

Public markets should allow the efficient allocation of capital to projects/ideas while providing an ongoing and accurate mechanism for investors to evaluate and realize on the value of these assets. For many issuers, the public markets in Canada no longer fulfill these essential roles, resulting in far greater costs of raising capital as prospective investors have both less market transparency on the value of publicly-listed assets and less certainty that they will be able to crystallize efficiently the returns of their investment. The increasing regulatory, legal and audit costs of being a public company only add insult to injury in such an environment.



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Aequitas' proposed solutions to (among others) limit the pernicious effects of HFTs, restore the role of the market-maker and recreate a market founded on the essential principles of efficient capital allocation and value identification are much needed and long overdue. I believe that these solutions are a first step to restoring the issuer and investor confidence needed to ignite Canada's next wave of success in the resource industry, which inherently relies on Canadian leadership in mining finance and capital markets.

Sincerely,

A handwritten signature in black ink, appearing to read "Brendan Cahill". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Brendan Cahill  
President & CEO

