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VIA EMAIL: jstevenson@osc.gov.on.ca

Attention: John Stevenson

Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, ON
M5H 3S8

Dear Sirs/Mesdames:

re: Proposed CSA Rule MI 51-111

I am writing today as a corporate securities lawyer and as a Board member, officer and past CFO of several junior mining companies, including TSE listed companies. While I am sure the proposed MI 52-111 will generate significant legal work and fees to myself for the next three to five years, I am writing to very strongly voice my absolute and complete disapproval of this proposed Instrument. I have listened and dealt with countless companies, investment and brokerage firms, shareholder rights groups and accountants and believe there is very little, if any, benefit to this Policy in its totality, and the cost, in both financial and management time, *completely* outweighs any potential benefit. My additional comments are as follows:

- As an officer of a TSE listed company I have had the pleasure of sitting in on a meeting with one of the large accounting firms where they have kindly offered to oversee the institution of internal compliance rules at a cost of approximately $500,000. This would apply to a juniour to mid-size exploration company, with no revenues, $1 to 2 million in the bank and a total management and office staff of four to five personnel (not counting contract geologists and field workers). This is a company where normally the President or the CFO signs every cheque of the company and review every invoice (apart from some relatively immaterial offshore funds where every advance can be closely monitored and is tied to specific exploration expenditures). At the very least, any proposed Instrument should clearly only require disclosure of internal reporting guidelines prepared and reviewed by management with **NO** external audit overview and certification process. There is no need for policies dealing with this issue to require more than

a brief paragraph in the MD&A or financials, setting out the steps that management has taken on this issue and their comments on its overall effectiveness. Similar wording in the financial statement certificates would also provide greater comfort to the rregulators, especially in light of the pending legislative liability for misleading continuous disclosure to the secondary market.

- While I am sure there was a monumental amount of work involved in preparing MI 52-111, this policy just copies the SOX internal reporting requirements, with little thought given to the long-term affect of such a policy and the actual long-term benefit to shareholders, the ultimate party that will pay for this Instrument. I have reviewed the Wednesday, May 25th article of Duncan Mavin in the Financial Post and completely agree with the comments that SOX (and therefore the proposed CSA Instrument) is extraordinarily onerous.
- I attended an excellent forum in British Columbia on the proposed MI 52-111 and SOX 404 and was very impressed with the logic and common sense of the British position as was put forward by Mr. Ken Rushton. I believe the U.K. framework and a less rule-based policy, which gives companies flexibility to modify such policies based on their size and requirements, to be the only workable solution if internal control rules are 'deemed' necessary for political reasons. Above all, the independent auditor review and certification on the internal controls is the absolute worse approach to this issue and will result in huge costs for all those affected.
- It is just as much a duty of the CSA to reduce the regulatory burden on the companies for the overall benefit of the shareholders as it is a duty to impose continuous new reporting requirements. Protection includes protecting a viable, cost efficient market. The CSA should not add on a totally new and very costly regulatory layer with very little, if any, benefits.
- I can only speak for junior companies and smaller TSE listed companies with a market cap of under $250 million, but I can in no way see how, especially for Canadian companies, that the basic principles upon which the Instrument is based justify the burdens imposed. This Instrument is not necessary and is certainly not cost-effective. In particular the independent auditor review of internal control requirement is totally unwarranted.

Yours very truly,

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Per:"Stewart L. Lockwood"
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Dro
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