

Memo

To Sheryl Thompson, BCSC
From Ted Eggleston
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Date 16 July 2010

Subject **Proposed Changes and Amendments to NI 43-101 Reporting Rules**

This memorandum is in response to the request for comment on the proposed changes and amendments to NI 43-101 as it applies to mining. Most of my comments relate to Form 43-101F1; however, a number of things in the "Notice and Request for Comment" and "Standards of Disclosure for Mineral Projects" require comment. I have identified those by page number and section.

Notice and Request for Comments

Page 3 – Part 3 Additional Requirements for Written Disclosure

This is a welcome change.

Page 5 – Consequential Amendments – NI44-101 amendment

This is a welcome and very important change. I have, on numerous occasions, either been working away from my office or my colleagues have been away from the office when consents for filing were required on very short notice. In most cases, filings were delayed because the QPs could not be reached for consents.

Page 6 – Updated certificates and consents (subsection 4.2(8) of the Amended Instrument)

Another welcome change that will have a very positive impact. In the past, I filed new consents when ownership of a project changed but the Technical Report was current. Seems like a complete waste of time. The consent should be as current as the Technical Report.

Page 8 – Request for Comment on the Amended Mining Rule and Consequential Amendments – Short Form Prospectus Trigger

I believe that eliminating this trigger would be a welcome change to the rules. It goes completely against the concept of relying on a company's continuous disclosure record when making use of this offering document. What happens is a company identifies an investor that is prepared to offer them finance if they can have free trading shares. This requires a prospectus, since private placements have a 4 month hold on the shares being free trading.

The company realizes they will need current technical reports on each of their material properties. In many cases, this could be as many as 4 or 5 technical reports (or more). It may be middle of winter and some of their properties are in the arctic or at elevation in the mountains. They would have to contract with a consulting firm to have the site visits

brought up to date and the scientific and technical information brought up to date to be able to file the Preliminary Prospectus. In most cases the investor is not prepared to wait and the company loses out on the opportunity to raise finance.

Another scenario has the company file the preliminary prospectus and then find out during the regulatory review that one or more of their technical reports are not current. The company must update the technical report before the final prospectus can be filed. This can take months. Many investors insist on a penalty clause if they cannot obtain free trading shares by a set time. So a company could be faced with the prospect of paying the penalty because of the time it takes to update the technical reports. This can be millions of dollars in penalties better put into exploration.

By removing the technical report trigger for the preliminary short form prospectus, a technical report will generally still be on file, and there may have been more work on the property, but that can be covered by the company just including a summary of that in the prospectus. This has to be done by a QP who is named in the prospectus, and investors should be reasonably protected by this.

Standards of Disclosure for Mineral Projects

Definitions:

“historical estimate” – Can this be changed to include estimates previously made by the Issuer? In many cases the property has been in inventory, but dormant, and historical resource estimates made by the Issuer, although not current, are important information.

Part 3.2 Written Disclosure to Include Data Verification

Many projects include legacy data that was collected and analyzed using procedures that were standard for the time, but were not accompanied by QA-QC measures deemed standard today. Is it possible to add guidelines for acceptance/rejection of those data? At this time, it is entirely the QP's opinion of the data and in recent Technical Reports, I have noted that legacy data that cannot be adequately validated or verified has been used to declare Indicated (or better) Mineral Resources. This may be outside the purview of the current changes, but I would welcome some guidelines.

Part 6.2 (3) (b) Current Personal Inspection

I have not made use of this exemption, but in the event that a property cannot be accessed in the window available for filing of the report it is an important exemption. The real question to me is whether or not it should be required to re-file the report with certificates and consents. Would not the public be equally well served by filing a short memorandum type report stating that the property had been visited after the report was completed and the inspection revealed that all was in order, or not?

Form 43-101F1

A number of very important changes are proposed for the format of Technical Reports. Most are welcome and some are long overdue. I especially like the new format with expanded Items for operations.

Thank you for this effort.

Specific comments follow:

Item 3 (a): Reliance on Other Experts

The new form significantly clarifies what can be relied on and presents clear guidelines for such reliance.

Item 3 (b): Reliance on Other Experts

This is a very significant and long overdue change to the Form. I have taken responsibility for diamond valuations for which there is no real way to verify the quality of the valuations. They are based on proprietary grade and price modeling based on price assumptions that are very closely held.

Item 6 (c): History – Historical mineral resource and mineral reserve estimates

Is it possible to add guidelines for what can and should not be reported in terms of historical resource estimates? An example is a uranium deposit in Utah for which there are five estimates dating from the 1970's and no current estimate. Should all of the estimates be reported and commented on or just the latest? At this time, I would report all of them, but that is not appropriate because the latest supersedes all of the earlier estimates. In many instances, historical "resource" estimates are, in reality, back of the envelope guesses with little support for the estimate and are likely to be misleading, but they are in a report on the property and would be required to be disclosed. I believe that the QP should have some flexibility in what they consider material to the property. Some guidance in an "Instruction" line would be welcome.

Item 10 (c) (i) Drilling

This is significantly changed from the Current Form and appears to be requiring a drill hole collar table and a table of significant intercepts, but I find it somewhat vague. In the past, a drill hole location map showing traces of the holes was adequate. Is that still the case? Can the language be more specific?

Item 10: Drilling Instruction

This appears to indicate a drill hole location map can satisfy Item 10 (c) (i) only if resources have been estimated. Why can this not apply to Technical Reports with significant drilling, but without a current resource estimate? I believe that this comment will be used to eliminate drill hole location maps and proper cross sections in reports on properties without resource estimates.

Item 12: Data Verification

While this is a very straight forward section, it omits any mention of legacy data for which there are no assay certificates or QA-QC data. I would like some guidance, possibly as an Instruction, as to what is generally acceptable.

Item 15: Mineral Reserve Estimates

I would prefer that this section be included as Item 22 simply because most of the information in Items 16-22 is used to support conversion of Mineral Resources to Mineral Reserves.

Item 19 (a): Market Studies and Contracts

Most of the changes this Form are welcome, this is definitely not. Marketing studies and marketing strategies are possibly the most confidential of all data generated by industrial minerals producers, especially new producers attempting to break into markets. Item 19 specifically requires inclusion of "... results of relevant market studies, commodity price projections, product valuation, market entry strategies ..." which, if publically revealed, will provide existing producers significant unfair competitive advantages over emerging producers. If followed to the letter, this Item will provide information about the new producer that can, and most likely will, be used to thwart their entry into the market. In past Technical Reports, it was adequate for the QP to review the relevant marketing studies and state that, in their opinion, adequate and proper marketing studies had been completed and that those studies were adequate to support resource/reserve declarations. While I agree that these studies and data are absolutely required to support resource/reserve declarations, I cannot agree with public disclosure of details of those studies and data. There must be a mechanism that will provide confidence to the public and still allow these most confidential of studies and data to remain confidential. I believe that current practice is adequate.

In most cases, product specifications are generally well known, but in some cases, those specifications are very tightly controlled and are known only to the producer and consumer for a variety of reasons. Public disclosure of those specifications can harm the Issuer. Again, a mechanism must exist for the QP to provide general information without revealing confidential data.

Item 24: Other Relevant Data and Information

Please provide an Instruction discussing the nature of data that should be considered appropriate to be included here.

Item 26: Recommendations (Instruction)

This is a welcome change.

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