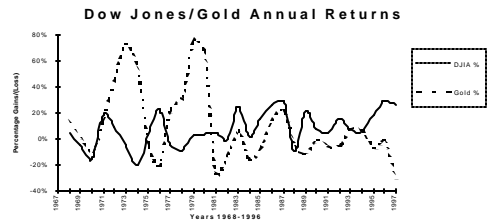




Gold & Technology Stocks

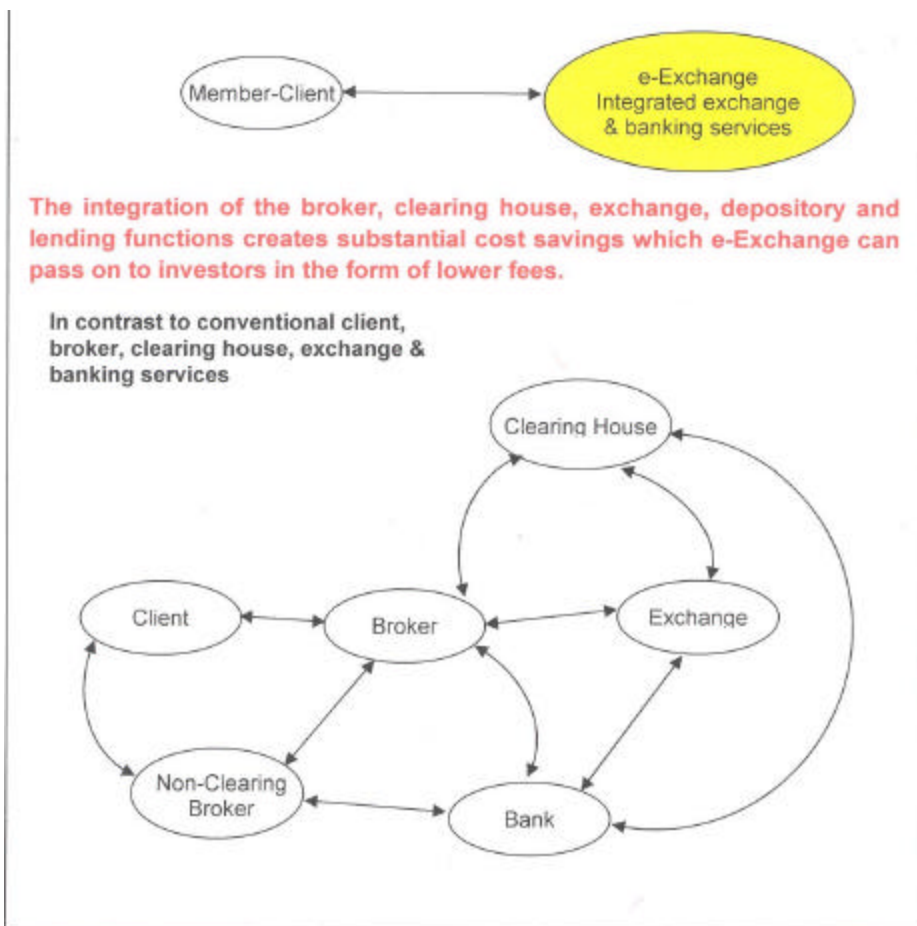


Volume 25, No. 7

(Now in Our 25th Year)

July 13, 2006

A New e-Stock Exchange Promises Relief for Junior Gold Share Investors



Subscribers to this letter know how difficult it is to buy small cap companies recommended in this letter, especially when they are Canadian-listed stocks. But don't be discouraged. Relief may be on its way, if a new electronic stock exchange known as eExchange is soon to be launched in Canada's New Brunswick Province. The new exchange is the brainchild of experienced securities consultant, Russell Martel, an experienced securities consultant, who I am interviewing for this issue. Assuming this exchange is launched—and I think the odds are good that it will be—small investors should soon be able to buy junior gold stocks and other small cap stocks listed in various countries around the world as easily and as cheaply as buying any item on eBay. And quite frankly in theory it has the potential in my view to become as big as eBay.

The diagram on your left illustrates the simplicity of e-Exchange. As an investor, you become a member and client of the exchange. You simply enter orders to buy or sell shares on the exchange, with other members who may wish to take all or part of the opposite side of your trade.

Recently, some enormous valuations have been mentioned for various stock markets in the world. If e-Exchange proves to be a more efficient exchange than existing state-of-the-art exchanges, one wonders what this enterprise might one day be worth. The intent of management is to take e-Exchange public after it commences operations as a private entity. In fact, up to 50 subscribers to this letter will have an opportunity to acquire 1,000 shares of e-Exchange for simply testing the e-Exchange software that will be used by e-Exchange. CEO Russell Martel will tell you more about that opportunity in a few minutes.

The bottom line is that the simplicity of e-Exchange allows large and small investors to trade internationally-listed securities, quickly and inexpensively. To learn more about this new exchange, its viability as competition against the rich, powerful Wall Street interests,

how it works, and how it may be of help to smaller investors like most of our subscribers, I have chosen to interview Russell Martell, the inventor of e-Exchange. I hope you enjoy the following interview and that you find it an exciting story.

TAYLOR: Thank you, Russell, for being available to tell our subscribers about your new invention. Can you first give our readers a brief review of your professional background and then how and why you chose to take on this project? The notion of starting a stock exchange in this day and age appears to me to be such a daunting task. So, with all due respect, I would also like to ask you what makes you think you have a shot at pulling this off?

MARTEL: e-Exchange was created to provide a visible marketplace for small, unlisted companies. The concept expanded to include other securities without a marketplace, such as call options, delayed delivery, minor foreign currencies, and after-hours trading of listed stocks. Modern technology makes 24-hour trading possible. We are presently testing online, real-time, foreign currency trading.

We believe e-Exchange is possible because we are directing our effort to niche markets and under-served areas of interest to individual investors. We do not compete with the brokers.

A fluke of my career has made e-Exchange possible. I spent the first 18 years in the business working for small brokers that were clearing members. At a clearing member, it is possible to learn the mechanics of the business. At St. Lawrence Securities in Toronto, all the partners were involved with some aspect of running the business in addition to trading securities. For example, I was the part-time controller; the president conducted surprise internal audits and counted the security box. It is impossible to buy this kind of experience today.

After that, I spent a number of years taking small companies public through the maze of securities regulations. This included small takeover bids, private placements, and reactivating old companies.

TAYLOR: Can you tell our readers why you felt a need to create another stock exchange and then perhaps explain in terms that average common folks can understand how your exchange is different and why large and small investors alike can benefit from it?

MARTEL: Institutional and retail investors need different services. During the last 20 years, the brokerage industry has done an excellent job of automating the trading of listed stocks, especially for the institutions. For various reasons, the industry has not automated the trading of unlisted securities. We use the term "unlisted" to include stocks, call options, municipal bonds, gold coins, currency, etc., that do not trade on an exchange or NASDAQ.

In the process of investigating our original market for small, unlisted companies, we found that the total of the individual parts of the unlisted market is quite large. Also offering 24-hour trading made the development of an electronic marketplace for niche products economical.

TAYLOR: Where do you plan to set up e-Exchange? And perhaps give us some reasons for the location you have selected.

MARTEL: Our first choice is New Brunswick, because the province has an excellent telecommunications infrastructure and it is an attractive location for electronic commerce.

TAYLOR: When do you expect e-Exchange to begin operating as a commercial entity?

MARTEL: We expect to begin trading in minor foreign currencies in 2007, prior to applying for a securities exchange license.

TAYLOR: What will be the trading hours for e-Exchange?

MARTEL: e-Exchange will operate 24 hours a day. Also, we will accommodate companies that wish to trade only five days a week and/or fewer than 24 hours a day.

TAYLOR: So you are able to offer 24-hour trading. How are you able to accomplish that when not even the NASDAQ or New York Stock Exchange can do that?

MARTEL: Integrating the exchange, clearinghouse, and member-client accounting records on one electronic platform situated at one location makes 24-hour trading and same-day cash settlement (T+0) possible. In contrast, the existing exchanges no longer own their own clearinghouses or depositories. The trading process takes three days from execution to settlement (T+3).

TAYLOR: Our subscribers frequently want to buy shares of small mining companies whose shares trade in Canada on the Toronto Venture Exchange. Almost all of these stocks are traded, at least on occasion, on the Pink Sheets here in the U.S. While there may be a fair amount of liquidity for these stocks in Canada, the market for these shares in the Pink Sheets is often highly illiquid and the spreads between the bid and ask very large. The ideal would be for Americans to buy the shares from a Canadian broker. But Canadians have stopped accepting American customers, primarily because of the tendency on the part of Americans to blame their brokers and take them to court when they lose money. Can e-Exchange help our subscribers overcome this problem or might it be likely that illiquidity will be a problem at e-Exchange, at least at the start? And if so, how will you overcome problems of illiquidity?

MARTEL: We propose to overcome the liquidity problem by offering deep discounts for day trades and 60-day turnaround trades. This should attract both investors and brokers to post bids and offerings. We concede that the first year would be slow because many

participants would sit on the sideline and watch. However, there is a nucleus of securities with no visible market that will find e-Exchange attractive from the beginning.

TAYLOR: Let's say an American investor wants to buy 1,000 shares of some little company we have on our list like, say, Erin Ventures, a stock selling for \$0.10 per share. What might it cost him to buy these 1,000 shares with a market value of \$100?

MARTEL: If Erin Ventures were listed on e-Exchange, a single trade would cost \$20. If an investor bought and sold Erin Ventures on the same day, each transaction would cost \$5. If an investor made 100 similar transactions in a month, the average cost of each transaction could be as low as \$2.50.

TAYLOR: At present, it is difficult to trade stocks in Australia and New Zealand, even though there may be some good opportunities in those English-speaking countries. Do you see e-Exchange providing investors with an opportunity to trade more efficiently in those countries?

MARTEL: Yes, we do. When Tom Callaghan was vice-president of the Alberta Stock Exchange, he listed about six Australian companies that maintained sub-transfer agents in Canada. We plan to list Australian and New Zealand public companies. The day market in Sydney overlaps the evening market in North America, so Australian dealers could trade both markets at the same time.

TAYLOR: Do you anticipate trading anything other than stocks? What about bonds and precious metals and commodities and currencies? If you do plan to trade various items, can you explain what advantages, if any, you may have over them? Will your service be cost competitive?

MARTEL: We plan to trade customized call options, minor foreign currencies, and gold coins. Bonds, commodities, and precious metals may come later. We do not have any direct advantage over the existing exchanges, because we do not compete with them. Our 24-hour trading day may be considered an advantage. The real attraction of e-Exchange is the opportunity to trade securities electronically that are not traded elsewhere.

We believe our service is competitive. For example, our Trader-ID feature provides free advertising to anyone that posts a bid or offering. This unique service allows investors to negotiate the terms of a call option or other derivative, prior to entering the actual order. We have more than 20 order types including Odd-lot, Prearranged-Cross, and hidden orders such as Fill-bids-only and Buy-offerings-only. The order types are designed for thin unlisted markets.

TAYLOR: I first met you about a year or so ago at the New York Gold Show. You have been testing the software since then. Is it now operative and fail-safe? Also, can you tell our readers when you expect to commercialize the Exchange?

MARTEL: Yes, the real-time testing is working well and the system is operating 24 hours a day. Participants in the USA, Canada, and Australia have tested the software. We are upgrading the hardware for primary, secondary, and remote fail-over operation sites. Currently, we are operating the test hardware from two locations in different states.

TAYLOR: I can see stockbrokers feeling quite threatened by your Exchange, especially since it allows people to bypass them and buy and sell things directly on the Exchange. Won't the brokerage industry seek legislation to put you out of business or at least keep you from growing very much?

MARTEL: In the past, in some local jurisdictions, the industry has attempted to restrict competition which has sent business elsewhere. To mitigate this possibility, we plan to make a version of our software available to the brokers. We believe that e-Exchange offers the brokers interesting trading and arbitrage opportunities.

TAYLOR: Brokers and, to a lesser extent, investors are concerned about the exchanges they trade on. For example, people look with a more positive view toward the NYSE or NASDAQ than toward the Pink Sheets in the U.S. And in Canada, the Toronto Venture Exchange is viewed as an inferior exchange, compared to its bigger parent in Toronto. As a newcomer, how do you plan to compete against these bigger, more established exchanges?

MARTEL: We do not regard the larger exchanges as competitors, because we are providing trading facilities to niche markets and under-serviced areas of the business.

TAYLOR: When I think of stock exchanges, especially since the Bre-X disaster in Canada a number of years ago and more recently Sarbanes Oxley in the U.S., I think of regulation. In the U.S., banks and brokerage houses are charged with the responsibility of reporting earnings to the IRS and actually reporting financial movements of their customers. You know in this growing police state, everyone is suspect. How will regulations be complied with if the brokerage firm is no longer involved?

MARTEL: Our software is designed to provide reports to regulators. Because our software integrates the Exchange and member-client trading records, we can supply detailed trading records presently unavailable from other systems. We can monitor accounts in real time as the transactions are made.

TAYLOR: While we are on the topic of regulatory issues, one of the major pieces of legislation in the Canadian mining sector over the past few years has been National Instruments 43-101, which governs the way mining companies report assay results, resources,

and reserves. Will investors who buy shares of stock of Canadian mining companies retain the same protection when buying shares via e-Exchange as when buying them over the Toronto Venture Exchange or on the Pink Sheets?

MARTEL: Yes. We believe that the market where a Canadian mining company trades does not affect the disclosure required by the mining company.

TAYLOR: In your literature, you talk about an *integrated platform* versus *straight-through processing*. To this low-tech investor, that kind of language puts me to sleep. Can you explain to our readers what you mean by “integrated platform” versus “straight-through processing” and tell them how it is relevant to the services to be provided by e-Exchange?

MARTEL: The e-Exchange integrated platform is a cash settlement (T+0) system, where the trade and settlement of a transaction occur at the same time. Using an integrated platform and cash settlement (T+0) is a more efficient way to process small orders than straight-through processing, which is a three-day settlement (T+3) system.

At e-Exchange, everything happens on the same day. For example, when a trade is made on e-Exchange, the transaction is reported directly to the investor, and the investor’s account status and general ledger account are all updated at the same time. The integration of the exchange, broker, clearinghouse, and depository functions creates substantial cost savings, which e-Exchange can pass on to investors in the form of lower fees.

When a trade is made on a conventional exchange, the transaction is reported to the broker, who reports the transaction to the investor. At the same time, the broker may update the account status for the investor. The broker updates the investor’s general ledger account overnight, because most if not all brokers have batch accounting systems. With straight-through processing, these steps are done electronically (previously done manually). The entire process for the execution of a transaction to the settlement of the transaction takes three days. These extra steps ultimately cost money.

TAYLOR: What makes you think e-Exchange can compete, and assuming it can compete, what makes you think the big boys won’t put you out of business or buy you out to eliminate you as a competitor?

MARTEL: The anecdotal evidence suggests that there is a need for an after-hour trading market for individual investors. While we see a large and profitable niche business for a small company, in the overall financial services industry, e-Exchange always will be a small specialty player.

Our best defense to keep the big boys at bay is to stay out of their underwriting, financial advice, and proprietary trading business, which we plan to avoid. Our business plan is to make e-Exchange a profit venue for the dealers as well as for the small investor. The situation is similar to the introduction of negotiated commission rates in the 1970s, which was initially resisted. Trading volume soared after negotiated rates so that even those who opposed negotiated rates benefited.

TAYLOR: How big can e-Exchange get? How much can this enterprise be worth one day?

MARTEL: e-Exchange is essentially an eBay for securities with guaranteed delivery, so e-Exchange could become a relatively large company.

TAYLOR: When do you think you will take the company public?

MARTEL: I am an advocate of using a non-offering prospectus to make the transition to public status as economical as possible. We are aiming for public company status within the next 12 to 18 months. We presently have about 40 shareholders.

TAYLOR: Okay, now that you have our subscribers excited about e-Exchange, how can they learn more about e-Exchange, and how can they accept your offer to receive 1,000 shares of e-Exchange Enterprises Ltd.?

MARTEL: To participate in the real-time testing of e-Exchange, call Russell Martel at 352-409-4624 or 506-470-5049 or e-mail martel@e3trader.com. Our address is 110 Johnstone Street, Lexington VA 24450.

We will send you a CD with the member software and a guidebook. We will send 1,000 e-Exchange common shares to each of the first 50 testing participants. The testing consists of real-time online trading. We have several test sessions planned to accommodate the schedule of the participants. It is only necessary to participate in one 30-minute session to receive the 1,000 shares.

TAYLOR: Can our readers perhaps receive updates on the progress of e-Exchange via email?

MARTEL: Yes; to receive a copy of our five-page overview and/or our newsletter, call Russell Martel at 352-409-4624 or 506-470-5049 or e-mail martel@e3trader.com

TAYLOR: Do you have private placement opportunities for accredited investors and, if so, who should they contact if they are interested in investing in your company?

MARTEL: Yes, we have an offering circular with considerable information about e-Exchange; call Russell Martel at 352-409-4624 or 506-470-5049 or e-mail martel@e3trader.com