

CSA Consultation Paper 43-101

Consultation on National Instrument 43-101 Standards of Disclosure for Mineral Projects

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Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
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From:

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Part A: Improvement and Modernization of NI 43-101

1. Do the disclosure requirements in the Form for a pre-mineral resource stage project provide information or context necessary to protect investors and fully inform investment decisions? Please explain

Yes. They provide for the disclosure for all necessary information that is pertinent to an early staged project. At this stage of a project the most critical items are 1- is there a resource 2- if so what is the classification and 3- does it have a chance of mineral extraction, meaning metallurgical recovery.

2. A - Is there an alternative way to present relevant technical information that would be easier, clearer, and more accessible format in other continuous disclosure documents, such as a news release, annual information form or annual management's discussion and analysis, or, when required, in a prospectus? It is our opinion that the current methodology is acceptable. It would be difficult to simplify this information any further.

B – If so, for which stages of mineral projects could this alternative be appropriate, and why?

3. A – Should we consider greater alignment of NI-43-101 disclosure requirements with the disclosure requirements in other jurisdictions? No. Canadian disclosure requirements should only be specific to Canada. Not sure we see the rationale to complicate the reporting requirements further. A Company that reports in another jurisdiction should be capable of meeting any additional requirements on its own.

B – If so, which jurisdictions and which aspects of the disclosure requirements in those jurisdictions should be aligned, and why?

4. Paragraph 4.2(5)(a) of NI-43-101 permits an issuer to delay up to 45 days the filing of a technical report to support the disclosure in circumstances outlined in paragraph 4.2(1)(j) of NI-43-101. Please explain whether this length of time is still necessary, or if we should consider reducing the 45-day period. In our opinion the 45 day period is still necessary as it allows a Company to release material information to the market once it is available.

5. A – Can the investor protection function of the current personal inspection requirement still be achieved through the application of innovative technologies without requiring the qualified person to conduct a physical visit to the project? Provided the QP has been to the site in the past and continues to have adequate knowledge of the project, this should not be an issue.

B – If remote technologies are acceptable, what parameters need to be in place in order to maintain the integrity of the current personal inspection requirement? If remote technologies are used it should be ensured that the visual inspections are live and the QP can request different angles of site.

Part B: Data Verification Disclosure Requirements

6. Is the current definition of data verification adequate, and are the disclosure requirements in section 3.2 of NI 43-101 sufficiently clear? **Yes, the current definition of data verification is adequate and the requirements in section 3.2 are sufficiently clear.**
7. How can we improve the disclosure of data verification procedures in Item 12 of the Form to allow the investing public to better understand how the qualified person ascertained that the data was suitable for use in the technical report? **It is our opinion that the issue is not how to improve the data verification, but rather improvement should be made around the CSA being in a better position to catch bad resources in reports. In general, most reports cover the information that is required in our opinion to do this.**
8. Given that the current personal inspection is integral to the data verification, should we consider integrating disclosure about the current personal inspection form into Item 12 of the Form rather than Item 2(d) of the Form? **Yes. This would change would make sense.**

Part C: Historical Estimate Disclosure Requirements

9. Is the current definition of historical estimate sufficiently clear? If not, how could we modify the definition?
The definition is sufficiently clear in section 2.4. The only addition perhaps would be a statement noting historical estimates are not an indication of the future potential of the asset and should not be relied upon for investment purposes for individual investors.
10. Do the disclosure requirements in section 2.4 of NI 43-101 sufficiently protect investors from misrepresentation of historical estimates? Please explain. **We believe that the disclosure requirements in section 2.4 sufficiently protect investors because the section requires comment on the historical categories and requires comment on the work required to be done to upgrade or verify the estimate, that a QP has not done sufficient work for the historical estimate to be relied upon, and a statement that the issuer is not using it as a current estimate of resources or reserves. To us, this could not be any clearer.**

Part D: Preliminary Economic Assessments

11. Should we consider modifying the definition of preliminary economic assessment to enhance the study's precision? If so, how? For example, should we introduce disclosure requirements related to cost estimation parameters or the amount of engineering completed?
No, the definition of preliminary economic assessment should not be changed. Typically, in our experience the engineering and costs are defined to a level of +/-50% and this is noted in the report. Aside from this however a PEA includes inferred resources so it does not make sense to place more precision on one aspect of the study than another. These PEA's as we all know are used to gage the future potential of a resource and help raise funds to further delineate the resource through additional drilling and complete more detailed and cost studies. Making changes to this would be similar to putting the cart before the horse. The PEA reports typically disclose these facts.

We understand the responsibility on the CSA to protect investors. However, investors need to be educated to read these documents before investing so they can make informed decisions. It would be an interesting statistic to see how many investors read the documents we discuss in this letter prior to investing.

12. Does the current cautionary statement disclosure required by subsection 2.3(3) of NI 43-101 adequately inform investors of the full extent of the risks associated with the disclosure of a preliminary economic assessment? Why or why not?

In our opinion, the cautionary statement in this subsection is adequate because it explains to the reader that the resource is an estimate and may not be fully realized. It should be clear, that the resource could underperform and if so the economics of any PEA would be negatively impacted. If there is confusion, perhaps add to 2.3(3)a that the economics of the project could be negatively impacted.

13. Subparagraph 5.3(1)(c)(ii) of NI-43-101 triggers an independence requirement that may not apply to significant changes to preliminary economic assessments. Should we introduce a specific independence requirement for significant changes to preliminary economic assessments that is unrelated to changes to the mineral resource estimate? If so, what would be a suitable significance threshold? It is our opinion that in regard to preliminary economic assessments the resource and changes to the resource are the most important. If a resource changes materially whether up or down due to exploration work funded by the PEA it should be restated. If the resource is restated due to such a change the entire PEA would change. If the resource does not change the next significant impact to the PEA would be changes in metal prices. If the sensitivity tables cover the impact of such a change no further rework should be necessary as a reader could see the impact to the PEA.

14. Should we preclude the disclosure of preliminary economic assessments on a mineral project if current mineral reserves have been established?

Not necessarily, however, a section should be written in the report explain to the reader that the previous Reserve has been retracted and a rationale as to why it has been retracted explained. If a given Company decides to revisit the economics of their project that should be permitted, however if they choose this path, it is clear they no longer have a valid reserve.

15. Should NI 43-101 prohibit including by-products in cash flow models used for the economic analysis component of a preliminary economic assessment that have not been categorized as measured, indicated, or inferred mineral resources?

Yes, the practice should be prohibited. At a minimum it should be an inferred resource to be included. Otherwise, it is misleading to the reader.

Part E: Qualified Person Definition

16. Is there anything missing or unclear in the current qualified person definition? If so, please explain what changes could be made to enhance the definition. The definition is clear and does not require any adjustments.
17. Should paragraph (a) of the qualified person definition be broadened beyond engineers and geoscientists to include other professional disciplines? If so, what disciplines should be included and why? It should be broadened to include lawyers so they can take responsibility for the land claims etc.

18. Should the test for independence in section 1.5 of NI 43-101 be clarified? If so, what clarification would be helpful?

This could be clarified to provide a number of specific questions to complete the test for independence in section 1.5 that suite the CSA (add the questions from the companion policy to 1.5).

Nevertheless, from our perspective provided the individual holds a Professional designation with a governing body and are qualified, the QP should be considered a “reasonable person” whether they work for a reporting company or not and considered able to produce an unbiased report. If such a person misleads or misrepresents information in a given report there are legal ways this would be perused if brought to the attention of the governing professional body.

We believe that the QP’s that work for respective companies and have the best knowledge of the project and that consultancies that provided independent QPs do not necessarily have the background to be taking responsibility.

19. Should directors and officers be disqualified from authoring any technical reports, even in circumstances where independence is not required?

Directors and officers provided that they hold a Professional designation with a regulatory body such as the Professional Engineers of Ontario or the like should not be disqualified from Authoring any technical reports. These individuals have a duty to report factually correct data no matter their position in the company and should have an in-depth knowledge of the Company and its assets to make their opinions and comments even more valid then perhaps a third-party consultant.

Part F: Current Personal Inspections

20. Should we consider adopting a definition for a “current personal inspection”? If so, what elements are necessary or important to incorporate? This would make sense. The main element to us would be the length of time between visits and the amount of additional drilling completed and whether or not it was completed on an existing or new zone.

21. Should the qualified person accepting responsibility for the mineral resource estimate in a technical report be required to conduct a personal inspection, regardless of whether another report author conducts a personal inspection? Why or why not? Since the resource estimate is the main subject of the report and the building block of subsequent studies it would make sense that the QP accepting responsibility for the mineral resource estimate or an approve delegate conducts a personal inspection regardless of whether another QP conducts a personal inspection.

22. In a technical report for an advanced property, should each qualified person accepting responsibility for Items 15-18 (inclusive) of the Form be required to conduct a current personal inspection? Why or why not? Depends on the status of the asset. If it is not in operation then only the resource geologist is required as there would not be any development or significant

infrastructure. If the mine is in operation, it would be beneficial for other QPs to conduct a site visit, but not mandatory in our opinion provide operations reports etc are made available.

23. Do you have any concerns if we remove subsection 6.2(2) of NI 43-101? If so, please explain?

This specific clause should not be removed, but more clarity on its use be provided. For example, during the COVID-19 crisis our Company requested that the QP of the report be exempted under this clause. The OSC did not allow this exemption. If a world-wide pandemic does not qualify as an exemption what does? Reading this section of the circular, it is clear others have been able to use this clause, under what circumstances? More clarity is required before this section is eliminated.

Part G: Exploration Information

24. Are the current requirements in section 3.3 of NI 43-101 sufficiently clear? If not, how could we improve them? The requirements are sufficiently clear and are well detailed.

H: Mineral Resource / Mineral Reserve Estimation

25. Should Item 14: Mineral Resource Estimates of the Form require specific disclosure of reasonable prospects for eventual economic extraction? Why or why not? If so, please explain the critical elements that are necessary to be disclosed.

At present this is covered as part of the resource estimate. Most companies follow the CIM best practices and constrain resources that are amenable to open pit mining with an economic pit. In this case the metal price used should be disclosed as well as the operating cost assumptions. The operating cost assumptions should however be considered just that an assumption. While bench marking is a great reference, every project is different. It is our opinion that a lot of scrutiny is placed on the operating cost while in reality the metal used has the most significant impact.

With respect to underground there is a trend to using stope optimization to report the resource. This needs to be done with caution as the continuity, width and orientation of the resource can be significant factors.

In general, the resource geologist should not be responsible to constrain their resource estimates in the manners discussed above as this type of work is left to other disciplines.

Data Verification

26. A- Should the qualified person responsible for the mineral resource estimate be required to conduct data verification and accept responsibility for the information used to support the mineral resource estimate? Why or why not? It is our opinion that the QP responsible for the mineral resource estimate be required to conduct data verification and accept responsibility for the information given it is one of the major building blocks of any resource estimate.

B- Should the qualified person responsible for the mineral resource estimate be required to conduct data verification and accept responsibility for legacy data used to support the mineral resource estimate? Specifically, should this be required if the sampling, analytical, and QA/QC

information is no longer available to the current operator. Why or why not? **Yes, the QP should be responsible for accepting the historical information because it can be checked against existing data. Also, it is typically easy for most professionals to catch flawed data in historical estimates.**

Risk factors with mineral resource and mineral reserves

27. How can we enhance project specific risk disclosure for mining projects and estimation of mineral resources and mineral reserves?

Risk based decision making is important to this industry. Typically, these risks are presented in a given report in a risk matrix created by the QP. In our opinion provided that the authors of each section of the report provide their thoughts on the greatest risks to project and the likelihood of them happening this would be sufficient disclosure.

I: Environmental and Social Disclosure

28. Do you think the current environmental disclosure requirements under Items 4 and 20 of the Form are adequate to allow investors to make informed investment decisions? Why or why not? **In our opinion the current environmental disclosure requirements for not advanced and advanced properties is sufficient. It is sufficient because it provides the reader with the information necessary to determine if the project is permitted for operation and any risks that could impact the validity of maintaining such permits.**

29. Do you think the current social disclosure requirements under Items 4 and 20 of the Form are adequate to allow investors to make informed investment decisions? Why or Why not? **Yes, we believe the current social disclosure requirements are adequate. The information required in this section provides the reader with a clear indication if the company have agreements in place to operate and if not the necessary permits/agreements that would be needed. It should be noted that we believe that section J is adequately covered in these sections.**

30. Should disclosure of community consultations be required in all stages of technical reports, including reports for early-stage properties? **Sure. We believe disclosure of Community consultations and the status is already implied in section 4 under item 4(g)(h).**

J: Rights of Indigenous Peoples

31. What specific disclosures should be mandatory in a technical report in order for investors to fully understand and appreciate the risks and uncertainties that arise as a result of the rights of Indigenous Peoples with respect to a mineral project? **The only item that should be referenced is the number of communities impacted and where negotiations are required. It is not reasonable to report on ongoing negotiations or even the terms of the agreement. Furthermore, most of the topics in this subsection should already be addressed in items 4 & 20 of the form.**

32. What specific disclosures should be mandatory in a technical report in order for investors to fully understand and appreciate all significant risks and uncertainties related to the relationship of the issuer with any Indigenous Peoples on whose traditional territory the mineral project lies? **The only disclosure that should be made in addition to the notes in 31 would be whether or not an IBA or MOU has been signed.**

33. Should we require the qualified person or other expert to validate the issuer's disclosure of significant risks and uncertainties related to its existing relationship with Indigenous Peoples with respect to a specific project? If so, how can a qualified person or other expert independently verify this information? Please explain. **No. A third party should not be introduced to the process. The Company should be able to disclose on its own the status of the relationship by stating what agreements have been signed. Furthermore, in many instances these agreements/discussions are confidential and not appropriate for third party review.**

K: Capital and Operating Costs, Economic Analysis

34. Are the current disclosure requirements for capital and operating costs estimates in Item 21 of the Form adequate? Why or why not? **This is adequate in our opinion. Depending on the report type first principal cost models are used and/or actual operating data. This should be sufficient to provide the reader with the main cost components and their breakdown.**
35. Should the Form be more prescriptive with respect to the disclosure of the cost estimates, for example to require disclosure of the cost estimate classification used, such as the classification system of the Associations for the Advancement of Cost Engineering (AACE International)? Why or Why not? **No. The application of the AACE classification will not improve the resulting numbers used in reports. It will only further complicate reporting and add additional confusion.**
36. Is the disclosure requirement for risks specific to the capital and operating cost assumptions adequate? If not, how could it be improved? **In our opinion it is adequate. Each project is different and will have different costs that ultimately have a large impact to the project. Current reporting covers this by for example in an open pit scenario by noting haulage distances and the subsequent impact of fuel prices on project economics. For example, unit cost break downs in the report section would show that haulage is the highest cost centre.**

Economic Analysis

37. Are there better ways for Item 22 of the Form to require presentation of an economic analysis to facilitate this key requirement for public investing? For example, should the Form require the disclosure of a range of standardized discount rates?

Provided that sufficient information is contained in item 22 for the investing public to recreate the economic analysis standard discount rates should not be required. If the reader can create their own model, it would enable them to run their own sensitivities and adjust it to their own specific risk profile whether this is increasing the discount rate or the specific metal price. There are reports where it is clear that the reader could not possibly recreate the economic analysis. In this case, most investors would look at the P/NAV of similar companies (junior miners, mid-tier etc) and make the appropriate changes.

More importantly the economic section in itself can be misleading. In most cases Company stock prices do not reflect the NPV or IRR stated in their technical reports. This in itself shows that the market and investors have digested and formed an opinion on all issued company reports and the company's long-term viability or prospects.

L: Other

38. Are there other disclosure requirements in NI 43-101 or the Form that we should consider removing or modifying because they do not assist in making decisions or serve to protect the integrity of the mining capital markets in Canada?

The only additional note we would make is that this reporting process is a significant investment to most mining companies. Most other companies that are listed on Canadian exchanges are not subject to the rigor of this reporting process.

It is our opinion that these regulatory reporting requirements are repetitive and biased against the issuers specific to this industry. For example, one only needs to look to the cannabis listed issuers to see the disparity in reporting requirements. Furthermore, mutual fund or financial companies have long misled retail investors in regards to fees and expected returns all the while having these securities marketed by individuals who do not have Professional designations that can carry severe consequences to those holding them. Our final thought would be this... while it is understood that the CSA is obligated to protect investors, it must be realized that the mining industry in Canada is now heavily regulated to the point where an investor who spends the time to read the reports issued could easily make a decision on whether or not to invest and the people who have the most background with respect to a given property and who hold a professional designation are not permitted to sign off on their own work. This is not in the best interest of anyone.