

To:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Office

From:

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Self-Consultant at Mineral Sector

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Radoslav Vukas; Chair of Section Eurogeologist of Serbian Geology Society [REDACTED]

Date:

July 11, 2022

Many thank you for the opportunity to participate in this discussion!

CSA Consultation Paper 43-401 - Consultation on National Instrument 43-101 Standards of Disclosure for Mineral Projects

Via e-mail: ccollins@bcsc.bc.ca; comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

Please find my answers to all the questions for the consultation as below, in BLUE.

1.1.2 CSA Consultation Paper 43-401 - Consultation on National Instrument 43-101 Standards of Disclosure for Mineral Projects



CSA CONSULTATION PAPER 43-401

CONSULTATION ON NATIONAL INSTRUMENT 43-101 STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

April 14, 2022

Introduction

Canada plays a leading role in mining capital formation¹ and National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) is recognized globally as the pre-eminent standard for mineral project disclosure.

The purpose of this consultation paper (Consultation Paper) is to obtain feedback from stakeholders about the efficacy of several key provisions of NI 43-101, priority areas for revision, and whether regulatory changes would address concerns expressed by certain stakeholders. The information we gather will assist the Canadian Securities Administrators (CSA or we) in considering ways to update and enhance the current mineral disclosure requirements, to provide investors with more relevant and improved disclosure, and to continue to foster fair and efficient capital markets for mining issuers.

This Consultation Paper should be read together with NI 43-101 and Form 43-101F1 Technical Report (the Form). Unless defined, terms used in this Consultation Paper have the meanings given to them in NI 43-101.

The CSA are publishing this Consultation Paper for a 90-day comment period. In addition to any general comments that you may have, we also invite comments on the specific questions set out in the Consultation Paper.

The comment period will end on July 13, 2022.

Current Framework

Summary

NI 43-101 governs disclosure of scientific and technical information concerning mineral exploration, development, and production activities by mining issuers for a mineral project on a property material to the issuer. The disclosure, whether oral or written, must be based on information provided by or under the supervision of a qualified person, and specified terminology is required when disclosing mineral resources and mineral reserves. NI 43-101 also requires a mining issuer to file a technical report at certain times, using the prescribed format of the Form, prepared by one or more qualified persons who may need to be independent of the issuer and the mineral property.

The intended audience of a technical report is the investing public and their advisors who, in most cases, will not be mining experts. The technical report should include sufficient context and cautionary language to allow a reasonable investor to understand the nature, importance and limitations of the data, interpretations and conclusions summarized in the report.

History

NI 43-101 was first adopted in 2001, and most recently amended in 2011 when the CSA adopted new versions of NI 43-101, the Form and the Companion Policy 43-101CP to National Instrument 43-101 Standards of Disclosure for Mineral Projects (the Companion Policy) that:

- eliminated or reduced the scope of certain requirements,
- reflected changes that had occurred in the mining industry,
- provided more flexibility to mining issuers and qualified persons in certain areas, including to accept new foreign professional associations and designations, and reporting codes as they arise or evolve, and
- clarified or corrected areas where the previous disclosure requirements were not having the effect we intended.

¹ In the year ended December 31, 2020, S&P Global Market Intelligence reported that over 50% of global mining capital formation by public mining issuers emanated from Canada.

Notices

Since NI 43-101 was last revised in 2011, the mining industry has experienced market highs and lows and has seen numerous changes, including:

- an update by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) of the CIM Definition Standards for Mineral Resources and Mineral Reserves (CIM Definition Standards) and the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (CIM Best Practice Guidelines),
- emerging demand for commodities related to the growth in green energy and carbon neutral initiatives,
- increased investor awareness of the risks related to mineral project development, including demand for information about the environmental and social impacts, and
- an overhaul by other influential mining jurisdictions (including Australia and the United States) of their mineral resource/mineral reserve reporting codes and associated disclosure standards, including updates to the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) template, which is the established international standard for the public reporting of exploration targets, exploration results, mineral resources and mineral reserves.

Since 2011, the CSA has continually monitored the mineral disclosure requirements in NI 43-101, and gathered data evidencing deficiencies identified through continuous disclosure reviews, prospectus reviews, and targeted issue-oriented reviews (collectively, Mining Reviews). These deficiencies include:

- qualified persons failing to properly assess their independence, competence, expertise or relevant experience related to the commodity, type of deposit or the items for which they take responsibility in technical reports,
- poor quality of scientific and technical disclosure in technical reports for early stage exploration properties for new stock exchange listings,
- inadequate mineral resource estimation disclosure, including disclosure related to reasonable prospects for eventual economic extraction,
- misuse of preliminary economic assessments, and
- inadequate disclosure of all business risks related to mineral projects.

Consultation Questions

A. Improvement and Modernization of NI 43-101

The disclosure items in the Form have generally remained unchanged since NI 43-101 was adopted in 2001, with some reorganization for advanced stage properties in 2011.

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.

[For the phase before mineral resources in the project, in order to protect investors and provide complete information, it is necessary to mention the case when nothing was done on the prospectus before that.](#)

2. a) Is there an alternate way to present relevant technical information that would be easier, clearer, and more accessible for investors to use than the Form? For example, would it be better to provide the necessary information in a condensed 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?

[I am of the opinion that the necessary information can be provided both in a summary format and in other documents, when necessary \(e.g. annual information form, annual management discussion and analysis ,... \)](#)

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

[In the earlier stages of the mineral project, and due to timely information.](#)

3. a) Should we consider greater alignment of NI 43-101 disclosure requirements with the disclosure requirements in other influential mining jurisdictions?

[Absolutely yes.](#)

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

[With e.g. mining jurisdictions in SE Europe-Western Balkans, and due to the adequate presentation and mutual recognition of mineral resources and reserves from a formal aspect in terms of their determined quantities and quality.](#)

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.

This period of 45 days is appropriate.

In recent years, CSA staff have observed mining issuers making use of new technologies to conduct exploration on their properties, including the use of drones. During the COVID-19 pandemic, we received inquiries from qualified persons about the possible use of remote technologies to conduct the current personal inspection.

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?

In order to protect investors, I believe that a personal inspection by a qualified person is more effective, and that innovative technologies at this moment and in the conditions of Covid-19, still carry certain risks (remote checks: by which person is it carried out, where is it carried out, what are the field conditions for the application of innovative technologies (coverage of field with vegetation, compliance of work operations with the implementation of measures against Covid-19...)).

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?

The role of technology would be seen in the conditions of the subsequent verification of the performance of additional works and in the conditions of access to the terrain with physical risk.

B. Data Verification Disclosure Requirements

Mineral projects commonly pass through the hands of several property holders, each generating exploration and drilling data. Using data collected from former operators prior to the current issuer's involvement in the project (legacy data) may be legitimate, but this data needs to be carefully verified, and transparently documented in technical reports. CSA staff see inadequate data verification disclosure at every project stage, from early stage exploration properties to feasibility studies.

Describing sample preparation, security, analytical procedures, and quality assurance/quality control (QA/QC) measures is critical to an understandable mineral resource estimate. Qualified persons must state their professional opinion on those processes, explain the steps they took to verify the integrity of the data, and state their professional opinion whether the data suits the purpose of the technical report. CSA staff emphasized these requirements in both CSA Staff Notice 43-309 Review of Website Investor Presentations by Mining Issuers and CSA Staff Notice 43-311 Review of Mineral Resource Estimates in Technical Reports (CSA Staff Notice 43-311).

Data verification as defined in section 1.1 and outlined in section 3.2 of NI 43-101 applies to all scientific and technical disclosure made by the issuer on material properties. For example, data verification:

- requires accurate transcription from the original source, such as an original assay certificate,
- is not adequate when limited to transcribing data from a previous technical report,
- is not limited to technical reports but also to other disclosure such as websites, news releases, corporate presentations, and other investor relations material, and
- is not limited to the drill hole database and must be completed for all data in a technical report.

6. Is the current definition of data verification adequate, and are the disclosure requirements in section 3.2 of NI 43-101 sufficiently clear?

The current data verification should most likely be supplemented with adequate data that has now been processed by a qualified person, and with special reference to the data on their earlier verification, viewed in the "formal-legal" sense, if any (at the national level, there is inadequate publication data).

Item 12: Data Verification of the Form addresses a core principle of NI 43-101 and is a primary function of qualified persons. Mining Reviews demonstrate that disclosure in this item is often non-compliant. For example, we do not consider any of the following to be adequate data verification procedures by the qualified person:

- QA/QC measures conducted by the issuer or laboratory;
- database cross-checking to ensure the functionality of mining software;
- reliance on data verification by the issuer or other qualified persons related to previously filed technical reports; and
- unqualified acceptance of legacy data, such as disclosing that former operators followed "industry standards". 4

In addition, qualified persons frequently limit data verification procedures to the drill hole data set, resulting in a general failure to meet the disclosure requirements of Item 12 of the Form, which apply to all scientific and technical information in a technical report.

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?

Improvement can be achieved if a qualified person, in addition to relevant experience, also has a specific academic education for the way of displaying, verifying and understanding the relevant data from point 12.

8. Given that the current personal inspection is integral to the data verification, should we consider integrating disclosure about the current personal inspection into Item 12 of the Form rather than Item 2(d) of the Form?

It is necessary to integrate in point 12.

C. Historical Estimate Disclosure Requirements

In spite of extensive guidance in the Companion Policy, CSA staff see significant non-compliant disclosure of historical estimates. We remind issuers that non-compliance with section 2.4 of NI 43-101 can trigger the requirement to file a technical report under subsection 4.2(2) of NI 43-101. Examples of non-compliance include:

- failure to review and refer to the original source of the historical estimate,
- failure to include the cautionary statements required by paragraph 2.4(g) of NI 43-101, or inappropriate modification of such statements,
- failure to include required disclosure of key assumptions, parameters and methods used to prepare the historical estimate, and
- inappropriate disclosure by an issuer of a previous estimate.

9. Is the current definition of historical estimate sufficiently clear? If not, how could we modify the definition?

Inadequate or inappropriate disclosure of previous assessments is often closely related to inadequate use and understanding of certain terms by processors. In this sense, as an addition to the current definition, it is necessary to harmonize and standardize the conditions of the used concepts of historical assessment in a professionally-qualified and formal way.

10. Do the disclosure requirements in section 2.4 of NI 43-101 sufficiently protect investors from misrepresentation of historical estimates? Please explain.

In accordance with the above (point 9), and the need to harmonize historical data, it is evident that with the inadequate use of historical assessment data (mineral resources/reserves), it is quite certain that there may be a misrepresentation of historical assessments (especially if the assessment refers to different mining jurisdiction).

D. Preliminary Economic Assessments

The disclosure requirements for preliminary economic assessments were substantially modified in 2011, resulting in unintended consequences requiring additional guidance published in CSA Staff Notice 43-307 Mining Technical Reports - Preliminary Economic Assessments in August 2012.

Mining Reviews continue to show that preliminary economic assessment disclosure remains problematic for issuer compliance and, more importantly, is potentially harmful to investors. While the inclusion of inferred mineral resources is a recognized risk to the realization of the preliminary economic assessment, CSA staff's view is that the broad, undefined range of precision of a preliminary economic assessment also contributes to that risk. This range of precision is incongruent with one of the core principles of NI 43-101, which is that investors should be able to confidently compare the disclosure between different projects by the same or different issuers. In addition, CSA staff see evidence of modifications to cautionary language required by subsection 2.3(3) of NI 43-101 that render this provision less effective.

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?

In any case, that the parameters of the cost estimate and final engineering should be published.

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?

To adequately inform, emphasizing the fact that in this form it also reflects a low level of trust.

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?

A special condition of independence is required for changes of 40%.

In 2011, we broadened the definition of preliminary economic assessment in NI 43-101 in response to industry concerns that issuers needed to be able to take a step back and re-scope advanced properties based on new information or alternative production scenarios. In this context, the revised definition was based on the premise that the issuer is contemplating a significant change in the existing or proposed operation that is materially different from the previous mining study.

CSA staff continue to see considerable evidence of preliminary economic assessment disclosure, subsequent to the disclosure of mineral reserves, which is potentially misleading and harmful to investors. In many cases, issuers continue to disclose an economic and technically viable mineral reserve case, while at the same time disclosing a conceptual alternative preliminary economic assessment with more optimistic assumptions and parameters. In many cases, the two are mutually exclusive options.

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

That it should be impossible, especially since the reserves are determined in the appropriate amount and within the appropriate "contours", on a certain date.

In some cases, issuers are disclosing the results of a preliminary economic assessment that includes projected cash flows for by-product commodities that are not included in the mineral resource estimate. This situation can arise where there is insufficient data for the grades of the by-products to be reasonably estimated or estimated to the level of confidence of the mineral resource. We consider the inclusion of such by-product commodities in the preliminary economic assessment to be misleading.

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? Please explain.

By-products should not be excluded, provided that their quantities are adequately assessed as well as processing conditions and costs.

E. Qualified Person Definition

CSA staff have substantial evidence that the current qualified person definition is not well understood, and have seen an increase in practitioners with less than 5 years of experience as professional engineers or geoscientists acting as qualified persons in

technical reporting. CSA staff have directed many comments to issuers informing them that the qualified person does not meet the requirements of NI 43-101 in the circumstance under review.

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 current definition of "qualified person" is not good, as now a qualified person can be any geoscientist with a university degree or some other educational, professional profile. Because of this, major mistakes occur during the preparation of the Technical Report, Feasibility Study and other documents and there are risks for investors, because such a person does not have the appropriate university knowledge and the required level of knowledge about ore deposits of metals, industrial minerals, etc., methods of assessing mineral resources, technical and economic parameters of exploitation of reserves, etc.

According to current regulations (e.g. Serbia, where Canadian companies carry out geological exploration of mineral resources), these geological professionals can perform certain work operations and less complex geological tasks in the exploration of ore deposits (according to national regulations), and according to this, they could not to be "qualified persons" (according to NI 43 101, JORC, PERC) e.g. for the assessment of mineral resources - reserves, which are publicly announced, regardless of how much they are believed.

In this sense, the current definition of "qualified person" for the exploration of ore deposits must specify the appropriate educational profile - economic geologist, given that only those are professionals (in accordance with the educational profile) who possess a university degree but also experience in the exploration of various mineral deposits and raw materials.

(Note: for example, I do not believe that an economic geologist can be a qualified person for evaluating geotechnical, hydrogeological, sedimentology, mineralogical, petrology projects, or biological projects and etc.), especially in the process of geological exploration approved by law, which are certainly always extremely risky (for investors, for property, for people, nature, etc.).

In my personal opinion, so far it has been shown that the greatest volume of shortcomings is still related to the work of a qualified person, who, regardless of professional experience -relevantly, must have- fulfill the appropriate academic education of the corresponding preference (e.g. depending on the type of education and the type of education it's just: economic/mining geologist, for exploration of mineral deposits).

Currently, the qualified person definition requires the individual to be an engineer or geoscientist with a university degree in an area of geoscience or engineering related to mineral exploration or mining.

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?

Absolutely not.

Qualified person independence

The gatekeeping role of the qualified person is essential for the protection of the investing public. CSA staff see evidence of issuers and qualified persons failing to properly apply the objective test of independence set out in section 1.5 of NI 43-101. The Companion Policy provides certain examples of specific financial metrics to consider. This list is not exhaustive. There are multiple factors, beyond financial considerations, that must also be considered in determining objectivity, including the relationship of the qualified person to the issuer, the property vendor, and the mineral project itself.

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

In this Instrument, a qualified person is independent of an issuer if there is no publicly known circumstance that, in the opinion of a reasonable person aware of all relevant facts, could interfere with the qualified person's judgment regarding the preparation of the technical report.

Named executive officers as qualified persons

CSA staff are concerned that the gatekeeping role of the qualified person conflicts with the fiduciary duties of directors and officers. We have seen situations where the self-interest of such individuals in promoting an attractive outcome for the mineral project overrides their professional public interest obligation as a gatekeeper.

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

Yes, but they can compile technical reports for other issuers.

F. Current Personal Inspections

The current personal inspection requirement in section 6.2 of NI 43-101 is a foundational element of the qualified person's role as a gatekeeper for the investing public. It enables the qualified person to become familiar with conditions on the property, to observe the property geology and mineralization, and to verify the work done on the property. Additionally, it provides the only opportunity to assess less tangible elements of the property, such as artisanal mining or access issues, and to consider social licence and environmental concerns. The current personal inspection is distinctly different from conducting exploration work on the property; it is a critical contributor to the design or review, and recommendation to the issuer, of an appropriate exploration or development program for the property.

20. Should we consider adopting a definition for a "current personal inspection"? If so, what elements are necessary or important to incorporate?

The adoption of the definition of "current personal inspection" should certainly be considered, which, in addition to current elements (geology, mineralization, investigative work, safety and health at work, ...), would also contain elements about obtained "national" permits and deadlines (geological exploration /exploitation/mineral processing/mining waste), as well as data-elements on environmental protection and their compliance with current national-world documents, standards and permits.

CSA staff's view is that qualified persons must consider their expertise and relevant experience in determining whether they are suitable to conduct the current personal inspection. For example, geoscientists are generally not qualified to conduct elements of the current personal inspection related to potential mining methods or mineral processing. Similarly, engineers may not be qualified with respect to elements of the geoscience. In such cases, more than one qualified person may be required to conduct a current personal inspection, particularly for an advanced property.

21. Should the qualified person accepting responsibility for the mineral resource estimate in a technical report be required to conduct a current personal inspection, regardless of whether another report author conducts a personal inspection? Why or why not?

Absolutely yes, because in accordance with personal competence it excludes all possible risks and responsibilities for the assessment of mineral resources.

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?

Absolutely yes, because every qualified person accepts responsibility, in my opinion, in the prescribed manner and should perform an immediate personal inspection, especially if for some reason (time of engagement, ...) e.g. it is about "unknown" field for him/her (although the subject is: developed field).

We expect issuers to consider the current personal inspection requirement in developing the timing and structure of their transactions and capital raising. Subsection 6.2(2) of NI 43-101 does allow an issuer to defer a current personal inspection in

limited circumstances related to seasonal weather, provided that the issuer refiles a new technical report once the current personal inspection has been completed. However, this provision has been used infrequently since it was adopted in 2005. In rare circumstances where issuers do rely on this provision, CSA staff see significant non-compliance with the refiling requirement.

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

There is no concern if subsection 6.2. (2) Ni 43 101 is removed.

G. Exploration Information

CSA staff continue to see significant non-compliant disclosure of exploration information, including inadequate disclosure of:

- the QA/QC measures applied during the execution of the work being reported on in the technical report,
- the summary description of the type of analytical or testing procedures utilized, and
- the relevant analytical values, widths and true widths of the mineralized zone.

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

Added in text, in bold:

3.3 (1) If an issuer discloses in writing exploration information about a mineral project on a property material to the issuer, the issuer must include in the written disclosure a summary of (a) the material results of surveys and investigations regarding the property; (b) the interpretation of the exploration information **must be prepared by qualified person (i.e.: economic geologist);**

H. Mineral Resource / Mineral Reserve Estimation

In CSA Staff Notice 43-311 published in June 2020, a comprehensive review of disclosure in technical reports identified several areas of inadequate disclosure of mineral resource estimates.

Reasonable prospects for eventual economic extraction

CIM Definition Standards guidance states that a qualified person should clearly state the basis for determining the mineral resource estimate and that assumptions should include metallurgical recovery, smelter payments, commodity price or product value, mining and processing method, and mining, processing and general and administrative costs. Revisions to the CIM Definition Standards in 2014 and CIM Best Practices Guidelines in 2019 emphasized the requirement for the practitioner to clearly articulate these assumptions and how the estimate was developed.

Mining Reviews provide evidence of technical reports that lack adequate disclosure on metal recoveries, assumed mining and processing methods and costs, and constraints applied to prepare the mineral resource estimate to demonstrate that the mineralized material has reasonable prospects for eventual economic extraction.

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.

In my opinion, point 14, the assessment of mineral resources does not specifically require the disclosure of reasonable prospects for eventual economic exploitation. This follows from the very definition of mineral resources.

Data verification

Disclosure of a mineral resource estimate is a significant milestone for an issuer. CSA Staff Notice 43-311 noted that disclosure of data verification procedures and results was one of the weakest areas in the mineral resource estimate review, stating that in technical reports reviewed by CSA staff, more than 20% had incomplete disclosure concerning the qualified person's data verification procedures and results.

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?

Yes, according to the responsibility the qualified person should verify the data and accept the responsibility for the information used to support the mineral resource assessment, otherwise, he consequently "abdicates" the responsibility for an adequate mineral resource assessment which is not acceptable.

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?

The Mineral Resource Estimate QP should be responsible for verifying the data and accepting responsibility for legacy data used to support the Mineral Resource Estimate, precisely because it is the Mineral Resource Estimate for which the QP is responsible.

Risk factors with mineral resources and mineral reserves

Paragraph 3.4(d) of NI 43-101 requires issuers to identify any known legal, political, environmental and other risks that could materially affect the potential development of the mineral resources or mineral reserves. In addition, Items 14(d) and 15(d) of the Form require the qualified person to provide a general discussion on the extent to which the mineral resource or mineral reserve estimate could be materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors.

Many technical reports only provided boilerplate disclosure about potential risks and uncertainties that are general to the mining industry. Failure to set out meaningful known risks specific to the mineral project make mineral resource and mineral reserve disclosure potentially misleading.

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

We can improve the detection of specific risks for mining projects and the assessment of mineral resources and mineral reserves by specifically considering and analyzing the disclosure of risk patterns, i.e. through the evaluation of the factors of legislation, public opinion, marketing, etc., all within the current legal, socio-economic environment and environmental acceptability of the project.

I. Environmental and Social Disclosure

In recent years, CSA staff have seen an increase in public and investor awareness of environmental and social issues impacting mineral projects. Item 4: Property Description and Location and Item 20: Environmental Studies, Permitting and Social or Community Impact of the Form allow for disclosure of relevant environmental and social risk factors for the mineral project.

However, these disclosure requirements related to environmental and social issues have remained largely unchanged since NI 43-101 was adopted in 2001.

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?

The current environmental disclosure requirements under points 4 and 20 of the Form are adequate, but they need to be fully aligned with (national) laws and with the progress of the mineral project, from the early stages.

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.

30. Should disclosure of community consultations be required in all stages of technical reports, including reports for early stage exploration properties?

Absolutely yes.

J. Rights of Indigenous Peoples

We recognize Indigenous Peoples to include First Nations, Inuit and Métis Peoples in Canada. We also recognize that issuers have projects in jurisdictions outside of Canada, and those jurisdictions will have Indigenous Peoples.

The unique legal status of Indigenous Peoples has received national and international recognition. For many projects, the rights of Indigenous Peoples overlap with legal tenure, property rights and governance issues. We believe that disclosure of these rights, and the Indigenous Peoples that hold them, forms an essential part of an issuer's continuous disclosure obligations.

Item 4 of the Form requires disclosure of the nature and extent of surface rights, legal access, the obligations that must be met to retain the property, and a discussion of any other significant factors and risks that may affect access, title, or the right or ability to perform work on the property. We are interested in hearing whether other disclosures should be included in the Form, or the issuer's other continuous disclosure documents, that relate to the relationship of the issuer with Indigenous Peoples whose traditional territories underlie the property.

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?

Specifically, in the technical report, it should be announced who owns the mineral raw materials (e.g., the public good of all citizens), so that investors can fully understand this and that in accordance with this and the legal provisions in order to determine mineral resources and reserves, they can obtain the permit themselves - " the right to explore or the right to exploit".

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?

Specifically, the technical report should also announce whether mining has a tradition in that area and whether the local, indigenous population is familiar with mining.

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 project? If so, how can a qualified person or other expert independently verify this information? Please explain.

Yes, it is necessary to require a qualified person to confirm the issuer's disclosure of significant risks and uncertainties, and he could independently perform an analysis of the available information, as well as verify it directly, through meetings, on the ground (relationship with indigenous peoples, local community).

K. Capital and Operating Costs, Economic Analysis

Capital and operating costs assumptions are integral to the financial and economic analysis of mineral projects. We see longstanding evidence, including industry-based case studies, of significant variance between disclosed cost estimates in technical reports and actual costs as projects are developed. This variance can have negative impacts on investors who rely on financial disclosure in technical reports.

Capital and operating costs

34. Are the current disclosure requirements for capital and operating costs estimates in Item 21 of the Form adequate? Why or why not?

The relevant requirements for the publication of capital and operating balance sheets given in point 21 are adequate, given that they contain all the necessary elements with a sufficient level of reliability.

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 system used, such as the classification system of the Association for the Advancement of Cost Engineering (AACE International)? Why or why not?

So that it could be more thorough, in the next phase - in the study phase (AACE International).

36. Is the disclosure requirement for risks specific to the capital and operating cost assumptions adequate? If not, how could it be improved?

By introducing AACE, risks specific to capital and operating costs would be adequately covered.

Economic analysis

As stated above, a core principle of NI 43-101 is to require disclosure that will allow investors to be able to confidently compare the disclosure between different projects by the same or different issuers. Standardized disclosure is fundamental to this principle.

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

Subject point 22- The form contains all the necessary data, but the form should also require the disclosure of a series of standardized discount rates.

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 investors in making decisions or serve to protect the integrity of the mining capital markets in Canada?

It is necessary to consider the possibility as a request for a tabular and graphic presentation, i.e. for the physical layout of mineral resources and reserves and all mining facilities (in one place).

Belgrade, Serbia, July 11, 2022

Comments



Radoslav Vukas, [redacted]