

POLICY STATEMENT TO REGULATION 43-101 RESPECTING STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

This Policy Statement (the “Policy”) sets out the views of the Canadian securities regulatory authorities (the “securities regulatory authorities” or “we”) as to how we interpret and apply certain provisions of *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects* (chapter V-1.1, r. 15) and Form 43-101F1 (the “Regulation”).

GENERAL GUIDANCE

(1) Application of the Regulation

The definition of “disclosure” in the Regulation includes oral and written disclosure. The Regulation establishes standards for disclosure of scientific and technical information regarding mineral projects and requires that the disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person. The Regulation does not apply to disclosure concerning petroleum, natural gas, bituminous sands or shales, groundwater, coal bed methane, or other substances that do not fall within the meaning of the term “mineral project” in section 1.1 of the Regulation.

(2) Supplements Other Requirements

The Regulation supplements other continuous disclosure requirements of securities legislation that apply to reporting issuers in all business sectors.

(3) Forward-Looking Information

Part 4 of *Regulation 51-102 respecting Continuous Disclosure Obligations* (chapter V-1.1, r. 24) (Regulation 51-102) sets out the requirements for disclosing forward-looking information. Frequently, scientific and technical information about a mineral project includes or is based on forward-looking information. A mining issuer must comply with the requirements of Part 4A of Regulation 51-102, including identifying forward-looking information, stating material factors and assumptions used, and providing the required cautions. Examples of forward-looking information include metal price assumptions, cash flow forecasts, projected capital and operating costs, metal or mineral recoveries, mine life and production rates, and other assumptions used in preliminary economic assessments, pre-feasibility studies, and feasibility studies.

(4) Materiality

An issuer should determine materiality in the context of the issuer's overall business and financial condition taking into account qualitative and quantitative factors, assessed in respect of the issuer as a whole.

In making materiality judgments, an issuer should consider a number of factors that cannot be captured in a simple bright-line standard or test, including the potential effect on both the market price and value of the issuer's securities in light of the current market activity. An assessment of materiality depends on the context. Information that is immaterial today could be material tomorrow; an item of information that is immaterial alone could be material if it is aggregated with other items.

(5) Property Material to the Issuer

An actively trading mining issuer, in most circumstances, will have at least one material property. We will generally assess an issuer's view of the materiality of a property based on the issuer's disclosure record, its deployment of resources, and other indicators. For example, we will likely conclude that a property is material if

- (a) the issuer's disclosure record is focused on the property;
- (b) the issuer's disclosure indicates or suggests the results are significant or important;
- (c) the cumulative and projected acquisition costs or proposed exploration expenditures are significant compared to the issuer's other material properties; or
- (d) the issuer is raising significant money or devoting significant resources to the exploration and development of the property.

In determining if a property is material, the issuer should consider how important or significant the property is to the issuer's overall business and in comparison to its other properties. For example

- (e) more advanced stage properties will, in most cases, be more material than earlier stage properties;
- (f) historical expenditures or book value might not be a good indicator of materiality for an inactive property if the issuer is focussing its resources on new properties;
- (g) a small interest in a sizeable property might, in the circumstances, not be material to the issuer;

(h) a royalty or similar interest in an advanced property could be material to the issuer in comparison to its active projects; or

(i) several non-material properties in an area or region, when taken as a whole, could be material to the issuer.

(6) Industry Best Practices Guidelines

While the Regulation sets standards for disclosure of scientific and technical information about a mineral project, the standards and methodologies for collecting, analysing, and verifying this information are the responsibility of the qualified person. The Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) has published and adopted several industry best practice guidelines to assist qualified persons and other industry practitioners. These guidelines, as amended and supplemented, are posted on www.cim.org, and include

(a) Exploration Best Practice Guidelines – adopted August 20, 2000;

(b) Guidelines for Reporting of Diamond Exploration Results – adopted March 9, 2003; and

(c) Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines – adopted November 23, 2003, and related commodity- specific appendices.

The Regulation does not specifically require the qualified person to follow the CIM best practices guidelines. However, we think that a qualified person, acting in compliance with the professional standards of competence and ethics established by their professional association, will generally use procedures and methodologies that are consistent with industry standard practices, as established by CIM or similar organizations in other jurisdictions. Issuers that disclose scientific and technical information that does not conform to industry standard practices could be making misleading disclosure, which is an offence under securities legislation.

(7) Objective Standard of Reasonableness

Where a determination about the definitions or application of a requirement in the Regulation turns on reasonableness, the test is objective, not subjective. It is not sufficient for an officer of an issuer or a qualified person to determine that they personally believe the matter under consideration. The individual must form an opinion as to what a reasonable person would believe in the circumstances.

(8) Improper Use of Terms in the French Language

For an issuer preparing its disclosure using the French language, the words “gisement” and “gîte” have different meanings and using them interchangeably or in the wrong context may be misleading. The word “gisement” means a mineral deposit that is

a continuous, well-defined mass of material containing a sufficient volume of mineralized material that can be or has been mined legally and economically. The word “gîte” means a mineral deposit that is a continuous, defined mass of material, containing a volume of mineralized material that has had no demonstration of economic viability.

PART 1 DEFINITIONS AND INTERPRETATION

1.1. Definitions

(1) “acceptable foreign code”

The definition of “acceptable foreign code” in the Regulation lists 5 internationally recognized foreign codes that govern the estimation and disclosure of mineral resources and mineral reserves. The JORC Code, PERC Code, SAMREC Code, and Certification Code use mineral resource and mineral reserve definitions and categories that are substantially the same as the CIM definitions mandated in the Regulation. These codes also use mineral resource and mineral reserve categories that are based on or consistent with the International Reporting Template, published by the Committee for Mineral Reserves International Reporting Standards (“the CRIRSCO Template”), as amended.

We think other foreign codes will generally meet the test in the definition if they

(a) have been adopted or recognized by appropriate government authorities or professional organizations in the foreign jurisdiction; and

(b) use mineral resource and mineral reserve categories that are based on the CRIRSCO Template, and are substantially the same as the CIM definitions mandated in the Regulation, the JORC Code, the PERC Code, the SAMREC Code, and the Certification Code, as amended and supplemented.

Appendix A.1 to the Policy provides a list of additional codes that we think satisfy the definition of “acceptable foreign code”. We will publish updates to the list periodically. We will also consider submissions from market participants regarding the proposed addition of foreign codes to the list. Submissions should explain the basis for concluding that the proposed foreign code meets the test in the definition and include appropriate supporting documentation.

(2) “effective date”

This is the cut-off date for the scientific and technical information included in the technical report. Under section 8.1 of the Regulation, the qualified person must provide their certificate as at the effective date of the technical report and specify this date in their certificate. The effective date can precede the date of signing the technical report but if there is too long a period between these dates, the issuer is exposed to the risk

that new material information could become available and the technical report would then not be current.

(3) “mineral project”

The definition of “mineral project” in the Regulation includes a royalty or similar interest. Scientific and technical disclosure regarding all types of royalty interests in a mineral project is subject to the Regulation.

(4) “preliminary economic assessment”

The term “preliminary economic assessment”, which can include a study commonly referred to as a scoping study, is defined in the Regulation. A preliminary economic assessment might be based on measured, indicated, or inferred mineral resources, or a combination of any of these. We consider these types of economic analyses to include disclosure of forecast mine production rates that might contain capital costs to develop and sustain the mining operation, operating costs, and projected cash flows.

(5) “professional association”

Subparagraph (ii) of paragraph (a) of the definition of “professional association” in the Regulation includes a test for determining what constitutes an acceptable foreign association. In assessing whether we think a foreign professional association meets this test, we will consider the reputation of the association and whether it is substantially similar to a professional association in a jurisdiction of Canada.

Appendix A to the Policy provides a list of the foreign associations that we think meet all the tests in the definition as of the effective date of the Regulation. We will publish updates to the list periodically. An issuer that wishes to rely on a qualified person that is a member of a professional association not included in Appendix A but which the issuer believes meets the tests in the Regulation, may make submissions to have the association added to Appendix A. Submissions should include appropriate supporting documentation. The issuer should allow sufficient time for its submissions to be considered before naming the qualified person in connection with its disclosure or filing any technical report signed by the qualified person.

The listing of a professional association on Appendix A is only for purposes of the Regulation and does not supersede or alter local requirements where geoscience or engineering is a regulated profession.

(6) definitions that include “property”

The Regulation defines 2 different types of properties (early stage exploration, advanced) and requires a technical report to summarize material information about the

subject property. We consider a property, in the context of the Regulation, to include multiple mineral claims or other documents of title that are contiguous or in such close proximity that any underlying mineral deposits would likely be developed using common infrastructure.

(7) “qualified person”

The definition of “qualified person” in the Regulation does not include engineering and geoscience technicians, engineers and geoscientists in training, and equivalent designations that restrict the individual’s scope of practice or require the individual to practice under the supervision of another professional engineer, professional geoscientist, or equivalent.

Paragraph (d) of the definition requires a qualified person to be “in good standing with a professional association”. We interpret this to include satisfying any related registration, licensing, or similar requirements. Canadian provincial and territorial legislation requires a qualified person to be registered if practicing in a jurisdiction of Canada. It is the responsibility of the qualified person, in compliance with their professional association’s code of ethics, to comply with laws requiring licensure of geoscientists and engineers.

Paragraph (e) of the definition includes a test for what constitutes an acceptable membership designation in a foreign professional association. Appendix A to the Policy provides a list of the membership designations that we think meet this test as of the effective date of the Regulation. We will update the list periodically. In assessing whether we think a membership designation meets the test, we will consider whether it is substantially similar to a membership designation in a professional association in a jurisdiction of Canada.

Subparagraph (e)(ii)(B) includes the concept of “demonstrated expertise in the field of mineral exploration or mining”. We generally interpret this to mean having at least 5 years of professional experience and satisfying an additional entrance requirement relating to level of responsibility. Some examples of such a requirement are:

(a) at least 3 years in a position of responsibility where the person was depended on for significant participation and decision-making;

(b) experience of a responsible nature and involving the exercise of independent judgment in at least 3 of those years;

(c) at least 5 years in a position of major responsibility, or a senior technical position of responsibility.

(8) “technical report”

A report may constitute a “technical report” as defined in the Regulation, even if prepared considerably before the date the technical report is required to be filed, provided the information in the technical report remains accurate and complete as at the required filing date. However, a report that an issuer files that is not required under the Regulation will not be considered a technical report until the Regulation requires the issuer to file it and the issuer has filed the required certificates and consents of qualified persons.

The definition requires the technical report to include a summary of all material information about the subject property. The qualified person is responsible for preparing the technical report. Therefore, it is the qualified person, not the issuer, who has the responsibility of determining the materiality of the scientific or technical information to be included in the technical report.

1.5. Independence

(1) Guidance on Independence

Section 1.5 of the Regulation provides the test an issuer and a qualified person must apply to determine whether a qualified person is independent of the issuer. When an independent qualified person is required, an issuer must always apply the test in section 1.5 to confirm that the requirement is met.

Applying this test, the following are examples of when we would consider that a qualified person is not independent. These examples are not a complete list of non-independence situations.

We consider a qualified person is not independent when the qualified person

- (a) is an employee, insider, or director of the issuer;
- (b) is an employee, insider, or director of a related party of the issuer;
- (c) is a partner of any person in paragraph (a) or (b);
- (d) holds or expects to hold securities, either directly or indirectly, of the issuer or a related party of the issuer;
- (e) holds or expects to hold securities, either directly or indirectly, in another issuer that has a direct or indirect interest in the property that is the subject of the technical report or in an adjacent property;

(f) is an employee, insider, or director of another issuer that has a direct or indirect interest in the property that is the subject of the technical report or in an adjacent property;

(g) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or

(h) has received the majority of their income, either directly or indirectly, in the 3 years preceding the date of the technical report from the issuer or a related party of the issuer.

For the purposes of (d) above, a related party of the issuer means an affiliate, associate, subsidiary, or control person of the issuer as those terms are defined in securities legislation.

(2) Independence Not Compromised

In some cases, it might be reasonable to consider the qualified person's independence is not compromised even though the qualified person holds an interest in the issuer's securities, the securities of another issuer with an interest in the subject property, or in an adjacent property. The issuer needs to determine whether a reasonable person would consider such interest would interfere with the qualified person's judgement regarding the preparation of the technical report.

PART 2 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

2.1. Requirements Applicable to All Disclosure

(1) Disclosure is the Responsibility of the Issuer

Primary responsibility for public disclosure remains with the issuer and its directors and officers. The qualified person is responsible for preparing or supervising the preparation of the technical report and providing scientific and technical advice in accordance with applicable professional standards. The proper use, by or on behalf of the issuer, of the technical report and other scientific and technical information provided by the qualified person is the responsibility of the issuer and its directors and officers.

The onus is on the issuer and its directors and officers and, in the case of a document filed with a securities regulatory authority, each signatory to the document, to ensure that disclosure in the document is consistent with the related technical report or advice. An issuer should consider having the qualified person review disclosure that summarizes or restates the technical report or the technical advice or opinion to ensure that the disclosure is accurate.

(2) Material Information not yet Confirmed by a Qualified Person

Securities legislation requires an issuer to disclose material facts and to make timely disclosure of material changes. We recognize that there can be circumstances in which an issuer expects that certain information concerning a mineral project may be material notwithstanding the fact that a qualified person has not prepared or supervised the preparation of the information. In this situation, the issuer may file a confidential material change report concerning this information while a qualified person reviews the information. Once a qualified person has confirmed the information, the issuer can issue a news release and the basis of confidentiality will end.

During the period of confidentiality, persons in a special relationship to the issuer are prohibited from tipping or trading until the information is disclosed to the public. National Policy 51-201 *Disclosure Standards* (Decision 2002-C-0244, 2002-07-09) provides further guidance about materiality and timely disclosure obligations.

(3) Use of Plain Language

An issuer should apply plain language principles when preparing disclosure regarding mineral projects on its material properties, keeping in mind that the investing public are often not mining experts. An issuer should present written disclosure in an easy to read format using clear and unambiguous language and, wherever possible, should present data in table format. This includes information in the technical report, to the extent possible. We recognize that the technical report does not always lend itself well to plain language and therefore the issuer might want to consult the responsible qualified person when restating the data and conclusions from a technical report in its public disclosure.

2.2. All Disclosure of Mineral Resources or Mineral Reserves – Use of GSC Paper 88-21

A qualified person estimating mineral resources or mineral reserves for coal may follow the guidelines of Paper 88-21 of the Geological Survey of Canada: A Standardized Coal Resource/Reserve Reporting System for Canada, as amended (“Paper 88-21”). However, for all disclosure of mineral resources or mineral reserves for coal, section 2.2 of the Regulation requires an issuer to use the equivalent mineral resource or mineral reserve categories set out in the CIM Definition Standards and not the categories set out in Paper 88-21.

2.3. Restricted Disclosure

(1) Economic Analysis

Subject to subsection 2.3(3) of the Regulation, paragraph 2.3(1)(b) of the Regulation prohibits the disclosure of the results of an economic analysis that includes or is based on inferred mineral resources, an historical estimate, or an exploration target.

CIM considers the confidence in inferred mineral resources is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure. The Regulation extends this prohibition to exploration targets because such targets are conceptual and have even less confidence than inferred mineral resources. The Regulation also extends the prohibition to historical estimates because they have not been demonstrated or verified to the standards required for mineral resources or mineral reserves and, therefore, cannot be used in an economic analysis suitable for public disclosure.

(2) Use of Term “Ore”

We consider the use of the word “ore” in the context of mineral resource estimates to be potentially misleading because “ore” implies technical feasibility and economic viability that should only be attributed to mineral reserves.

(3) Exceptions

The Regulation permits an issuer to disclose the results of an economic analysis that uses inferred mineral resources, provided the issuer complies with the requirements of subsection 2.3(3). The issuer must also include the cautionary statement under paragraph 3.4(e) of the Regulation, which applies to disclosure of all economic analyses of mineral resources, to further alert investors to the limitations of the information. The exception under subsection 2.3(3) does not allow an issuer to disclose the results of an economic analysis using an exploration target or an historical estimate.

(4) Impact of Preliminary Economic Assessment on Previous Feasibility or Pre- Feasibility Studies

An issuer may disclose the results of a preliminary economic assessment that includes inferred mineral resources, after it has completed a feasibility study or pre-feasibility study that establishes mineral reserves, if the disclosure complies with subsection 2.3(3) of the Regulation. Under paragraph 2.3(3)(c), the issuer must discuss the impact of the preliminary economic assessment on the mineral reserves and feasibility study or pre-feasibility study. This means considering and disclosing whether the existing mineral reserves and feasibility study or pre-feasibility study are still current

and valid in light of the key assumptions and parameters used in the preliminary economic assessment.

For example, if the preliminary economic assessment considers the potential economic viability of developing a satellite deposit in conjunction with the main development project, then the existing mineral reserves, feasibility study, and production scenario could still be current. However, if the preliminary economic assessment significantly modifies the key variables in the feasibility study, including metal prices, mine plan, and costs, the feasibility study and mineral reserves might no longer be current.

(5) Gross Value of Metal or Mineral

We interpret gross metal value or gross mineral value to include any representation of the potential monetary value of the metal or mineral in the ground that does not take into consideration the costs, recoveries, and other relevant factors associated with the extraction and recovery of the metal or mineral. We think this type of disclosure is misleading because it overstates the potential value of the mineral deposit.

(6) Cautionary Language and Explanations

The requirements of subsections 2.3(2), 2.3(3), and 3.4(e) of the Regulation mean the issuer must include the required cautionary statements and explanations each time it makes the disclosure permitted by these exceptions. These subsections also require the cautionary statements to have equal prominence with the rest of the disclosure. We interpret this to mean equal size type and proximate location. The issuer should consider including the cautionary language and explanations in the same paragraph as, or immediately following, the disclosure permitted by these exceptions.

2.4. Disclosure of Historical Estimates

(1) Required Disclosure

An issuer may disclose an estimate of resources or reserves made before it entered into an agreement to acquire an interest in the property, provided the issuer complies with the conditions set out in section 2.4 of the Regulation. Under this requirement, the issuer must provide the required disclosure each time it discloses the historical estimate, until the issuer has verified the historical estimate as a current mineral resource or mineral reserve. The required cautionary statements must also have equal prominence (see the discussion in subsection 2.3(6) of the Policy).

(2) Source and Date

Under paragraph 2.4(a) of the Regulation, the issuer must disclose the source and date of the historical estimate. This means the original source and date of the

estimate, not third party documents, databases or other sources, including government databases, which may also report the historical estimate.

(3) Suitability for Public Disclosure

Under paragraph 2.4(b) of the Regulation, an issuer that discloses an historical estimate must comment on its relevance and reliability. In determining whether to disclose an historical estimate, an issuer should consider whether the historical estimate is suitable for public disclosure.

(4) Historical Estimate Categories

Under paragraph 2.4(d) of the Regulation, an issuer must explain any differences between the categories used in the historical estimate and those set out in sections 1.2 and 1.3 of the Regulation. If the historical estimate was prepared using an acceptable foreign code, the issuer may satisfy this requirement by identifying the acceptable foreign code.

(5) Technical Report Trigger

The disclosure of an historical estimate will not trigger the requirement to file a technical report under paragraph 4.2(1)(j) of the Regulation if the issuer discloses the historical estimate in accordance with section 2.4 of the Regulation, including the cautionary statements required under paragraph 2.4(g).

An issuer could trigger the filing of a technical report under paragraph 4.2(1)(j) if it discloses the historical estimate in a manner that suggests or treats the historical estimate as a current mineral resource or mineral reserve. We will consider an issuer is treating the historical estimate as a current mineral resource or mineral reserve in its disclosure if, for example, it

- (a) uses the historical estimate in an economic analysis or as the basis for a production decision;
- (b) states it will be adding on or building on the historical estimate; or
- (c) adds the historical estimate to current mineral resource or mineral reserve estimates.

PART 3 ADDITIONAL REQUIREMENTS FOR WRITTEN DISCLOSURE

3.3. Requirements Applicable to Written Disclosure of Exploration Information – Adjacent Property Information

It is an offence under securities legislation to make misleading disclosure. An issuer may disclose in writing scientific and technical information about an adjacent property. However, in order for the disclosure not to be misleading, the issuer should clearly distinguish between the information from the adjacent property and its own property and not state or imply the issuer will obtain similar information from its own property.

3.5. Exception for Written Disclosure Already Filed

Section 3.5 of the Regulation provides that the disclosure requirements of sections 3.2 and 3.3 and paragraphs 3.4(a), (c) and (d) of the Regulation may be satisfied by referring to a previously filed document that includes the required disclosure. However, the disclosure as a whole must be factual, complete, and balanced and not present or omit information in a manner that is misleading.

PART 4 OBLIGATION TO FILE A TECHNICAL REPORT

4.2. Obligation to File a Technical Report in Connection with Certain Written Disclosure about Mineral Projects on Material Properties

(1) Information Circular Trigger (4.2(1)(c))

(a) The requirement for “prospectus-level disclosure” in an information circular does not make this document a “prospectus” such that the prospectus trigger applies. The information circular is a separate trigger that applies only in certain situations specified in the Regulation.

(b) Paragraph 4.2(1)(c) of the Regulation requires the issuer to file technical reports for properties that will be material to the resulting issuer. Often the resulting issuer is not the issuer filing the information circular. In determining if it must file a technical report on a particular property, the issuer should consider if the property will be material to the resulting issuer after the completion of the proposed transaction.

(c) Our view is that the issuer filing the information circular does not need to file a technical report on its SEDAR profile if

(i) the other party to the transaction has filed the technical report;

(ii) the information circular refers to the other party’s SEDAR profile;

and

(iii) on completion of the transaction, technical reports for all material properties are filed on the resulting issuer's SEDAR profile or the SEDAR profile of a wholly-owned subsidiary.

(2) Take-Over Bid Circular Trigger (4.2(1)(i))

For purposes of the take-over bid circular, the issuer referred to in the introductory language of subsection 4.2(1) of the Regulation and the offeror referred to in paragraph (i) of this subsection are the same entity. Since the offeror is the issuer that files the circular, the technical report trigger applies to properties that are material to the offeror.

(3) First Time Disclosure Trigger (4.2(1)(j)(i))

In most cases, we think that first time disclosure of mineral resources, mineral reserves, or the results of a preliminary economic assessment, on a property material to the issuer will constitute a material change in the affairs of the issuer.

(4) Property Acquisitions – 45-Day Filing Requirement

Subsection 4.2(5) of the Regulation requires an issuer in certain cases to file a technical report within 45 days to support first time disclosure of mineral resources, mineral reserves, or the results of a preliminary economic assessment, on a property material to the issuer. Property materiality is not contingent on the issuer having acquired an actual interest in the property or having formal agreements in place. In many cases, the property will become material at the letter of intent stage, even if subject to conditions such as the approval of a third party or completion of a due diligence review. In such cases, the 45-day period will begin to run from the time the issuer first discloses the mineral resources, mineral reserves, or results of a preliminary economic assessment.

(5) Property Acquisitions – Other Alternatives for Disclosure of Previous Estimates

If an issuer options or agrees to buy a property material to the issuer, any previous estimates of mineral resources or mineral reserves on the property will be in many cases material information that the issuer must disclose.

The issuer has a number of options available for disclosing the previous estimate without triggering a technical report within 45 days. If the previous estimate is not well-documented, the issuer may choose to disclose this information as an exploration target, in compliance with subsection 2.3(2) of the Regulation. Alternatively, the issuer may be able to disclose the previous estimate as an historical estimate, in compliance with section 2.4 of the Regulation. Both these options require the issuer to include

certain cautionary language and prohibit the issuer from using the previous estimates in an economic analysis.

In circumstances where the previous estimate is supported by a technical report prepared for another issuer, the issuer may be able to disclose the previous estimate as a mineral resource or mineral reserve, in compliance with subsection 4.2(7) of the Regulation. In this case, the issuer will still be required to file a technical report. However, it will have up to 180 days to do so.

(6) Production Decision

The Regulation does not require an issuer to file a technical report to support a production decision because the decision to put a mineral project into production is the responsibility of the issuer, based on information provided by qualified persons. The development of a mining operation typically involves large capital expenditures and a high degree of risk and uncertainty. To reduce this risk and uncertainty, the issuer typically makes its production decision based on a comprehensive feasibility study of established mineral reserves.

We recognize that there might be situations where the issuer decides to put a mineral project into production without first establishing mineral reserves supported by a technical report and completing a feasibility study. Historically, such projects have a much higher risk of economic or technical failure. To avoid making misleading disclosure, the issuer should disclose that it is not basing its production decision on a feasibility study of mineral reserves demonstrating economic and technical viability and should provide adequate disclosure of the increased uncertainty and the specific economic and technical risks of failure associated with its production decision.

Under paragraph 1.4(e) of Form 51-102F1, an issuer must also disclose in its MD&A whether a production decision or other significant development is based on a technical report.

(7) Shelf Life of Technical Reports

Economic analyses in technical reports are based on commodity prices, costs, sales, revenue, and other assumptions and projections that can change significantly over short periods of time. As a result, economic information in a technical report can quickly become outdated. Continued reference to outdated technical reports or economic projections without appropriate context and cautionary language could result in misleading disclosure. Where an issuer has triggered the requirement to file a technical report under subsection 4.2(1), it should consider the current validity of economic assumptions in its existing technical report to determine if the technical report is still current. An issuer might be able to extend the life of a technical report by having a qualified person include appropriate sensitivity analyses of the key economic variables.

(8) Technical Reports Must be Current and Complete

A “technical report” as defined in the Regulation must include in summary form all material scientific and technical information about the property. Any time an issuer is required to file a technical report, that report must be complete and current. There should only be one current technical report on a property at any point in time. When an issuer files a new technical report, it will replace any previously filed technical report as the current technical report on that property. This means the new technical report must include any material information documented in a previously filed technical report, to the extent that this information is still current and relevant.

If an issuer gets a new qualified person to update a previously filed technical report prepared by a different qualified person, the new qualified person must take responsibility for the entire technical report, including any information referenced or summarized from a previous technical report.

(9) Limited Provision for Addendums

The only exception to the requirement to file a complete technical report is under subsection 4.2(3) of the Regulation. An issuer may file an addendum if it is for a technical report that it originally filed with a preliminary short form prospectus or preliminary long form prospectus and new material scientific or technical information becomes available before the issuance of the final receipt.

(10) Exception from Requirement to File Technical Report if Information Included in a Previously Filed Technical Report

Subsection 4.2(8) of the Regulation provides an exemption from the technical report filing requirement if the disclosure document does not contain any new material scientific or technical information about a property that is the subject of a previously filed technical report.

In our view, a change to mineral resources or reserves due to mining depletion from a producing property generally will not constitute new material scientific or technical information as the change should be reasonably predictable based on an issuer’s continuous disclosure record.

(11) Filing on SEDAR

If an issuer is required under *Regulation 13-101 respecting the System for Electronic Document Analysis and Retrieval (SEDAR)* (chapter V-1.1, r. 2) to be an electronic filer, then all technical reports must be prepared so that the issuer can file them on SEDAR. Figures required in the technical report must be included in the technical report filed on SEDAR and therefore should be prepared in electronic format.

(12) Reports Not Required by the Regulation

The securities regulatory authorities in most Canadian jurisdictions require an issuer to file, if not already filed with them, any record or disclosure material that the issuer files with any other securities regulator, including geological reports filed with stock exchanges. In other cases, an issuer might wish to file voluntarily a report in the form of a technical report. The Regulation does not prohibit an issuer from filing such reports in these situations. However, any document purporting to be a technical report must comply with the Regulation.

When an issuer files a report in the form of a technical report that is not required to be filed by the Regulation, the issuer is not required to file a consent of qualified person that complies with subsection 8.3(1) of the Regulation. The issuer should consider filing a cover letter with the report explaining why the issuer is filing the report and indicating that it is not filing the report as a requirement of the Regulation. Alternatively, the issuer should consider filing a modified consent with the report that provides the same information.

(13) Preliminary Short Form Prospectus

Under paragraph 4.2(1)(b) of the Regulation, an issuer must file a technical report with a preliminary short form prospectus if the prospectus discloses for the first time mineral resources, mineral reserves, or the results of a preliminary economic assessment that constitute a material change in relation to the issuer, or a change in this information, if the change constitutes a material change in relation to the issuer.

If this information is not disclosed for the first time in the preliminary short form prospectus itself, but is repeated or incorporated by reference into the preliminary short form prospectus, the technical report must still be filed at the same time as the preliminary short form prospectus. Subsections 4.2(5) and (7) of the Regulation, in certain limited circumstances, permit the delayed filing of a technical report. For example, an issuer normally has 45 days, or in some cases 180 days, to file a technical report supporting the first time disclosure of a mineral resource. However, if a preliminary short form prospectus that includes the prescribed disclosure is filed during the period of the delay, subparagraphs 4.2(5)(a)(i) and 4.2(7)(c)(i) require the technical report to be filed on the date of filing the preliminary short form prospectus.

(14) Triggers with Thresholds

The technical report triggers in paragraphs 4.2(1)(b), (i) and (j) only apply if the relevant disclosure meets certain thresholds. In these cases, the technical report filing requirement is triggered only for the material property or properties that meet the thresholds.

(15) Triggers with Permitted Filing Delays

Subsections 4.2(5), (6) and (7) allow technical reports in certain circumstances to be filed later than the disclosure documents they support. In these cases, once the requirement to file the technical report has been triggered, the issuer remains subject to the requirement irrespective of subsequent developments relating to the property, including, for example, the sale or abandonment of the property.

4.3. Required Form of Technical Report

(1) Review

Disclosure and technical reports filed under the Regulation may be subject to review by the securities regulatory authorities. If an issuer that is required to file a technical report under the Regulation files a technical report that does not meet the requirements of the Regulation, the issuer has not complied with securities legislation. This includes filing certificates and consents that do not comply with subsections 8.1(2) and 8.3(1) of the Regulation.

(2) Filing Other Scientific and Technical Reports

An issuer might have other reports or documents containing scientific or technical information, prepared by or under the supervision of a qualified person, which are not in the form of a technical report. We consider that filing such information on SEDAR as a technical report could be misleading. An issuer wishing to provide public access to these documents should consider posting them on its website.

(3) Preparation in English or French

Section 4.3 of the Regulation requires a technical report to be prepared in English or French. Reports prepared in a different language and translated into English or French are not acceptable due to the highly technical nature of the disclosure and the difficulties of ensuring accurate and reliable translations.

PART 5 AUTHOR OF THE TECHNICAL REPORT

5.1. Prepared by a Qualified Person

(1) Selection of Qualified Person

It is the responsibility of the issuer and its directors and officers to retain a qualified person who meets the criteria listed under the definition of qualified person in the Regulation, including having the relevant experience and competence for the subject matter of the technical report.

(2) Assistance of Non-Qualified Persons

A person who is not a qualified person may work on a project. If a qualified person relies on the work of a non-qualified person to prepare a technical report or to provide information or advice to the issuer, the qualified person must take responsibility for that work, information, or advice. The qualified person must take whatever steps are appropriate, in their professional judgement, to ensure that the work, information, or advice that they rely on is sound.

(3) Exemption from Qualified Person Requirement

The securities regulatory authorities will rarely grant requests for exemption from the requirement that the qualified person belong to a professional association.

(4) More than One Qualified Person

Section 5.1 of the Regulation provides that one or more qualified persons must prepare or supervise the preparation of a technical report. Some technical reports, particularly for advanced properties, could require the involvement of several qualified persons with different areas of expertise. In that case, each qualified person taking responsibility for a part of the technical report must sign the technical report and provide a certificate and consent under Part 8 of the Regulation.

However, section 5.2 and Part 8 of the Regulation allow qualified persons who supervised the preparation of all or part of the technical report to take overall responsibility for the work conducted under their supervision by other qualified persons. While supervising qualified persons do not need to be experts in all aspects of the work they supervise, they should be sufficiently knowledgeable about the subject matter to understand the information and opinions for which they are accepting responsibility. Where there are supervising qualified persons, only the supervising qualified persons must sign the technical report and provide their certificates and consents.

(5) A Qualified Person Must Be Responsible for All Items of Technical Report

Section 5.1 of the Regulation requires a technical report to be prepared by or under the supervision of one or more qualified persons. By implication, this means that at least one qualified person must take responsibility for each section or item of the technical report, including any information incorporated from previously filed technical reports. If the qualified person, in response to a particular item, refers to the equivalent item in a previously filed technical report, the qualified person is implicitly saying that the information is still reliable and current and there have been no material changes. This would normally involve the qualified person doing a certain amount of background work and validation.

(6) Previous Mineral Resources or Mineral Reserves

When a technical report includes a mineral resource or mineral reserve estimate prepared by another qualified person for a previously filed technical report, under section 5.2 and Part 8 of the Regulation, one of the qualified persons preparing the new technical report must take responsibility for those estimates. In doing this, that qualified person should make whatever investigations are necessary to reasonably rely on the estimates.

5.2. Execution of Technical Report

Section 5.2 and subsection 8.1(1) of the Regulation require the qualified person to date, sign, and if the qualified person has a seal, seal the technical report and certificate. Section 8.3 of the Regulation requires the qualified person to date and sign the consent. If a person's name appears in an electronic document with (signed by) or (sealed) next to the person's name or there is a similar indication in the document, the securities regulatory authorities will consider that the person has signed and sealed the document. Although not required, the qualified person may sign or seal maps and drawings in the same manner.

5.3. Independent Technical Report

(1) Independent Qualified Persons

Subsection 5.3(1) of the Regulation requires that one or more independent qualified persons prepare or supervise the preparation of the independent technical report. This subsection does not preclude non-independent qualified persons from co-authoring or assisting in the preparation of the technical report. However, to meet the independence requirement, the independent qualified persons must assume overall responsibility for all items of the technical report.

(2) Hundred Percent or Greater Change

Subparagraph 5.3(1)(c)(ii) of the Regulation requires the issuer to file an independent technical report to support its disclosure of a 100% or greater change in total mineral resources or total mineral reserves. We interpret this to mean a 100% or greater change in either the total tonnage or volume, or total contained metal or mineral content, of the mineral resource or mineral reserve. We also interpret the 100% or greater change to apply to mineral resources and mineral reserves separately. Therefore, a 100% or greater change in mineral resources on a material property will require the issuer to file an independent technical report regardless of any changes to mineral reserves, and vice versa.

(3) Objectivity of Author

We could question the objectivity of the author based on our review of a technical report. In order to preserve the requirement for independence of the qualified person, we could ask the issuer to provide further information, additional disclosure, or the opinion or involvement of another qualified person to address concerns about possible bias or partiality on the part of the author of a technical report.

PART 6 PREPARATION OF TECHNICAL REPORT

6.1. The Technical Report - Summary of Material Information

Section 1.1 of the Regulation defines a technical report as a report that provides a summary of all material scientific and technical information about a property. Instruction (1) to Form 43-101F1 includes similar language. The target audience for technical reports are members of the investing public, many of whom have limited geological and mining expertise. To avoid misleading disclosure, technical reports must provide sufficient detail for a reasonably knowledgeable person to understand the nature and significance of the results, interpretation, conclusions, and recommendations presented in the technical report. However, we do not think that technical reports need to be a repository of all technical data and information about a property or include extensive geostatistical analysis, charts, data tables, assay certificate, drill logs, appendices, and other supporting technical information.

In addition, SEDAR might not be able to accommodate large technical report files. An issuer could have difficulty filing, and more importantly, the public could have difficulty accessing and downloading, large technical reports. An issuer should consider limiting the size of its technical reports to facilitate filing and public access to the reports.

6.2. Current Personal Inspection

(1) Meaning

The current personal inspection referred to in subsection 6.2(1) of the Regulation is the most recent personal inspection of the property, provided there is no new material scientific or technical information about the property since that personal inspection. A personal inspection may constitute a current personal inspection even if the qualified person conducted the personal inspection considerably before the filing date of the technical report, if there is no new material scientific or technical information about the property at the filing date. However, since the qualified person is certifying that the technical report contains all material information about the property, the qualified person should consider taking the necessary steps to verify independently that there has been no material work done on the property since their last site visit.

(2) Importance of Personal Inspection

We consider current personal inspections under section 6.2 of the Regulation to be particularly important because they enable qualified persons to become familiar with conditions on the property. Qualified persons can observe the geology and mineralization, verify the work done and, on that basis, design or review and recommend to the issuer an appropriate exploration or development program. A current personal inspection is required even for properties with poor exposure. In such cases, it could be relevant for a qualified person to observe the depth and type of the overburden and cultural effects that could interfere with the results of the geophysics.

It is the responsibility of the issuer to arrange its affairs so that a qualified person can carry out a current personal inspection. A qualified person, or where required, an independent qualified person, must visit the site and cannot delegate the personal inspection requirement.

(3) More than One Qualified Person

Subsection 6.2(1) of the Regulation requires at least one qualified person who is responsible for preparing or supervising the preparation of the technical report to inspect the property. This is the minimum standard for a current personal inspection. There could be cases in advanced mineral projects where the qualified persons consider it necessary for more than one qualified person to conduct current personal inspections of the property, taking into account the nature of the work on the property and the different expertise required to prepare the technical report.

6.3. Maintenance of Records

Section 6.3 of the Regulation requires an issuer to keep copies of underlying or supporting exploration information for at least 7 years. In our view, the issuer could satisfy this requirement by keeping records in any accessible format, not necessarily in hard copies.

6.4. Limitation on Disclaimers

Paragraph 6.4(1)(a) of the Regulation prohibits certain disclaimers in technical reports.

These disclaimers are also potentially misleading disclosure because, in certain circumstances, securities legislation provides investors with a statutory right of action against a qualified person for a misrepresentation in disclosure that is based upon the qualified person's technical report. That right of action exists despite any disclaimer to the contrary that appears in the technical report. The securities regulatory authorities will generally require the issuer to have its qualified person remove any blanket disclaimers in a technical report that the issuer uses to support its public offering document.

Item 3 of Form 43-101F1 permits a qualified person to insert a limited disclaimer of responsibility in certain specified circumstances.

PART 7 USE OF FOREIGN CODE

7.1. Use of Foreign Code – Use of Foreign Codes other than Acceptable Foreign Codes

Section 2.2 and Part 7 of the Regulation require an issuer to disclose mineral resources or mineral reserves using either the CIM Definition Standards or an “acceptable foreign code” as defined in the Regulation. If an issuer wishes to announce an acquisition or proposed acquisition of a property that contains estimates of quantity and grade that are not in accordance with the CIM Definition Standards or an acceptable foreign code, the issuer might be able to disclose the estimate as an historical estimate, in compliance with section 2.4 of the Regulation. However, it might be more appropriate for the issuer to disclose the estimate as an exploration target, in compliance with subsection 2.3(2) of the Regulation, if the supporting information for the estimate is not well-documented or if the estimate is not comparable to a category in the CIM Definition Standards or an acceptable foreign code.

PART 8 CERTIFICATES AND CONSENTS OF QUALIFIED PERSONS FOR TECHNICAL REPORTS

8.1. Certificates of Qualified Persons

(1) Certificates Apply to the Entire Technical Report

Section 8.1 of the Regulation requires certificates that apply to the entire technical report, including any sections that refer to information in a previously filed technical report. At least one qualified person must take responsibility for each Item required by Form 43-101F1.

(2) Deficient Certificates

Certificates must include all the statements required by subsection 8.1(2) of the Regulation. An issuer that files certificates with required statements that are missing or altered to change the intended meaning has not complied with the Regulation.

8.2. Addressed to Issuer

We consider that the technical report is addressed to the issuer if the issuer’s name appears on the title page as the party for which the qualified person prepared the technical report. We also consider that the technical report is addressed to the issuer

filing the technical report if it is addressed to an issuer that is or will become a wholly-owned subsidiary of the issuer filing the technical report.

8.3. Consents of Qualified Persons

(1) Consent of Experts

If the technical report supports disclosure in a prospectus, the qualified person will likely have to provide an expert consent under the prospectus rules (section 8.1 of *Regulation 41-101 respecting General Prospectus Requirements* (chapter V-1.1, r . 14) and section 4.1 of *Regulation 44-101 respecting Short Form Prospectus Distributions* (chapter V-1.1, r. 16), in addition to any consent of qualified person required under the Regulation.

(2) Deficient Consents

Consents must include all the statements required by subsection 8.3(1) of the Regulation. An issuer that files consents with required statements that are missing or altered to change the intended meaning has not complied with the Regulation. Appendix B to the Policy provides an example of an acceptable consent of a qualified person.

(3) Modified Consents under Subsection 8.3(2)

Subsection 8.3(1) of the Regulation requires the qualified person to identify and read the disclosure that the technical report supports and certify that the disclosure accurately represents the information in the technical report. We recognize that an issuer can become a reporting issuer in a jurisdiction of Canada without the requirement to file a disclosure document listed in subsection 4.2(1) of the Regulation. In these cases, the issuer has the option of filing a modified consent under subsection 8.3(2) of the Regulation that excludes the statements in paragraphs 8.3(1)(b), (c) and (d).

(4) Filing of Full Consent Required

If an issuer files a modified consent under subsection 8.3(2) of the Regulation, it must still file a full consent the next time it files a disclosure document that would normally trigger the filing of a technical report under subsection 4.2(1) of the Regulation. This requirement is set out in subsection 8.3(3) of the Regulation.

(5) Filing of Consent for Technical Reports Not Required by the Regulation

Where an issuer files a technical report voluntarily or as a requirement of a Canadian stock exchange, and the filing is not also required under the Regulation, the report is not a “technical report” subject to the consent requirements under subsection 8.3(1) of the Regulation. Therefore, when the issuer subsequently files a

disclosure document that would normally trigger the filing of a technical report under subsection 4.2(1) of the Regulation, the issuer must file the consents of qualified persons in accordance with subsection 8.3(1).

If an issuer files a Filing Statement or other prospectus-level disclosure document with a Canadian stock exchange, and the filing is not also required under the Regulation, the issuer may choose or be required by the stock exchange to file a full consent that includes paragraphs 8.3(1)(b), (c) and (d) of the Regulation as they relate to the Filing Statement or other disclosure document.

PART 9 EXEMPTIONS

9.2. Exemptions for Royalty or Similar Interests

(1) Royalty or Similar Interest

We consider a “royalty or similar interest” to include a gross overriding royalty, net smelter return, net profit interest, free carried interest, and a product tonnage royalty. We also consider a “royalty or similar interest” to include an interest in a revenue or commodity stream from a proposed or current mining operation, such as the right to purchase certain commodities produced from the operation.

(2) Limitation on Exemptions

The term “royalty or similar interest” does not include a participating or carried interest. Therefore, these exemptions do not apply where the issuer also has a participating or carried interest in the property or the mining operation, either direct or indirect.

(3) Non-Reporting Subsidiaries Included

Properties indirectly owned by an owner or operator that is a reporting issuer in a jurisdiction of Canada, through a subsidiary that is not a reporting issuer, would satisfy the condition of subparagraph 9.2(1)(a)(i) of the Regulation.

(4) Consideration of Liability

Holders of royalty or similar interests relying on the exemption in subsection 9.2(1) of the Regulation should consider, in the absence of a technical report of the royalty holder, who will be liable under applicable securities legislation for any misrepresentations in the royalty holder’s scientific or technical information.

APPENDIX A ACCEPTABLE FOREIGN ASSOCIATIONS AND MEMBERSHIP DESIGNATIONS

| Foreign Association | Membership Designation |
|---|---|
| American Institute of Professional Geologists (AIPG) | Certified Professional Geologist (CPG) |
| The Society for Mining, Metallurgy and Exploration, Inc. (SME) | Registered Member |
| Mining and Metallurgical Society of America (MMSA) | Qualified Professional (QP) |
| Any state in the United States of America | Licensed or certified as a professional engineer |
| European Federation of Geologists (EFG) | European Geologist (EurGeol) |
| Institute of Geologists of Ireland (IGI) | Professional Member (PGeo) |
| Institute of Materials, Minerals and Mining (IMMM) | Professional Member (MIMMM), Fellow (FIMMM), Chartered Scientist (CSci MIMMM), or Chartered Engineer (CEng MIMMM) |
| Geological Society of London (GSL) | Chartered Geologist (CGeol) |
| Australasian Institute of Mining and Metallurgy (AusIMM) | Fellow (FAusIMM) or Chartered Professional Member or Fellow [MAusIMM (CP), FAusIMM (CP)] |
| Australian Institute of Geoscientists (AIG) | Member (MAIG), Fellow (FAIG) or Registered Professional Geoscientist Member or Fellow (MAIG RPGeo, FAIG RPGeo) |
| The Institution of Engineers Australia ¹ (Engineers Australia) | Chartered Professional Engineer (CPEng) |
| The Institution of Professional Engineers New Zealand ² (Engineers New Zealand, IPENZ) | Chartered Professional Engineer (CPEng) |
| Southern African Institute of Mining and Metallurgy (SAIMM) | Fellow (FSAIMM) |
| South African Council for Natural Scientific Professions (SACNASP) | Professional Natural Scientist (Pr.Sci.Nat.) |
| Engineering Council of South Africa (ECSA) | Professional Engineer (Pr.Eng.) or Professional Certificated Engineer (Pr.Cert.Eng.) |
| Comisión Calificadora de Competencias en Recursos y Reservas Mineras (Chilean Mining Commission) | Registered Member |
| Russian Society of Subsoil Use Experts ³ (OERN) | Expert |

¹ As of August 16, 2012.

² As of February 21, 2013.

³ As of February 25, 2016.

APPENDIX A.1
ADDITIONAL ACCEPTABLE FOREIGN CODE

Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves¹ (NAEN Code)

¹ As of February 25, 2016.

**APPENDIX B
EXAMPLE OF CONSENT OF QUALIFIED PERSON**

[QP's Letterhead] or
[Insert name of QP]
[Insert name of QP's company]
[Insert address of QP or QP's company]

CONSENT of QUALIFIED PERSON

I, [name of QP], consent to the public filing of the technical report titled [insert title of report] and dated [insert date of report] (the "Technical Report") by [insert name of issuer filing the report].

I also consent to any extracts from or a summary of the Technical Report in the [insert date and type of disclosure document (i.e. news release, prospectus, AIF, etc.)] of [insert name of issuer making disclosure].

I certify that I have read [date and type of document (i.e. news release, prospectus, AIF, etc.) that the report supports] being filed by [insert name of issuer] and that it fairly and accurately represents the information in the sections of the technical report for which I am responsible.

Dated this [insert date].

_____ [Seal or Stamp] Signature of Qualified Person

Print name of Qualified Person

Decision 2011-PDG-0071, 2011-05-30
Bulletin de l'Autorité: 2011-07-01, Vol. 8 n° 26

AMENDEMENTS

Decision 2016-PDG-0032, 2016-02-22
Bulletin de l'Autorité: 2016-02-25, Vol. 13 n° 8