
NI 43-101

Topical Issues and Guidance



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NI 43-101 Background

- Rules for mining disclosure
- Principles based:
 - Not a rule for every scenario
 - What is the right answer
 - Industry standards and best practices
- Mix of legal and mining concepts
- Just because it is not prohibited does not make it right



NI 43-101 Background

- Core principles include:
 - ❑ Involvement of qualified person
 - ❑ Standard terminology
 - ❑ Disclosure standards
 - ❑ Technical report
 - ❑ Industry best practice guidelines

Who Are The Regulators?

- IIROC
 - Review news releases at time issued
 - Compliance with Exchange policies
- TSX/TSX-V
 - May review disclosure after the fact
 - Compliance with Exchange policies
- Securities Commissions
 - May review disclosure after the fact
 - Compliance with NI 43-101 & other rules

No regulator approves or passes on the merits of any disclosure



CD Review Tools

- For non-compliant disclosure:
 - ❑ Amend website etc.
 - ❑ Re-file corrected documents
 - ❑ Issue clarifying news release
 - ❑ Defaulting issuers list
 - ❑ Cease-trade order (s.164(1))
 - ❑ Enforcement referral

- During past 3 years - 429 reviews
 - ❑ News release – 44%
 - ❑ DIL – 41%, Tech Report – 35%



Mineral Resource Estimation

- Potential Red Flags
 - Non-standard resource methodologies
 - Unreasonable resource assumptions and parameters
 - Lack of geological model
 - Unconstrained or improperly constrained data
 - Large unexpected increases
 - Resources, reserves, grade, target size

Mineral Resource Estimation

- Reasonable prospects of economic extraction
 - Definition of mineral resources
 - Key assumption/parameter
 - Explain in technical report
 - Constraining important
 - Influenced by metal pricing and mining method
 - Impacts cut-off grade/size of resource
 - CIM provides some guidance

Metal Pricing Assumptions

- Aggressive metal pricing
 - Directly impact revenue side
 - Skew or bias the potential economics
 - Overstates value relative to other projects
 - Makes it difficult to compare projects
 - Inconsistent with the work of other QPs
 - Encourages a race to the ridiculous

We may question metal pricing assumptions if they are inconsistent with other credible sources



Mineral Resource Estimation

- Importance of geological model
 - Part of mineral resource definition
 - Required by industry best practises
 - CIM, SME, AusIMM
 - Necessary to understand controls on mineralization
 - Must be discussed in technical report
 - Significant red-flag issue

Mineral Resource Estimation

- Relevant experience of QP
 - highly specialized field
 - deposit type and resource estimation
 - Generic software/inexperienced practitioners
 - Risk to market of inflated or unreliable estimates

Exploration Target Tips

- Comply with s.2.3(2)
 - Express as ranges
 - Cautionary language; basis
- Don't be specific, it is not a resource
 - Key assumptions & parameters premature
- Be realistic
 - Not just biggest and best
- Fit exploration data
- Supportable geological model



Preliminary Economic Assessment

What it is

- Study other than PFS or FS
- Potential viability of resources
- Permitted for advanced properties
- Allow issuers to step backward to
 - Assess alternative development options
 - Take a fresh look if PFS or FS no longer current or relevant



Preliminary Economic Assessment

What it is not

- Proxy for a PFS or FS
 - Cannot demonstrate economic viability
 - Cautionary language always required
- Almost a PFS
- Way to include inferred resources in PFS or FS
- Done concurrently with or as part of PFS or FS
- Optimistic modification or update of PFS or FS

Guidance in CSA Staff Notice 43-307



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Tax Considerations In PEAs

- Concern where only disclose pre-tax economics
 - Taxes are inevitable
 - Excluding taxes is misleading
- Required by Item 22 of the Form
 - Is a principal assumption
 - Must include summary of taxes
- Can report both pre- and after tax

Mining Studies

- Pre-feasibility and feasibility studies
 - Defined by CIM Definition Standards
- Comprehensive engineering and economic studies
 - Based on measured & indicated resources
 - Establish reserves & economic viability
 - Exclude inferred resources or potential
- NI 43-101 restricts use except as defined

Mining Studies Without Reserves

- Pre-feasibility and feasibility studies
 - Sufficient to qualify reserves
 - May be valid reasons
 - Marginal or negative economics
 - Unresolved permitting or tenure issues
 - Disclose reasons
 - May be treating resources as reserves
 - May be a PEA in disguise

If project is feasible, why are you still exploring?

Misleading Use Of Mining Studies

- Potential concerns where:
 - Doing PFS or FS prior to M & I resources
 - Conducting concurrent exploration
 - Production decision
- Potentially misleading
 - No mining study w/o resources
 - Exploration may not be successful
 - Implies project is more advanced
 - PFS or FS is basis for production decision

NI 43-101 As A “Brand”

We have a NI 43-101 compliant estimate”

What does this mean?

- Standards for disclosure – not estimation
- If you are advertising NI 43-101 compliance make sure you are
 - you could be painting a target on yourself
- Don't over do it
 - disclosure must not be misleading



Contact Information

Robert Holland, P.Geo.

Chief Mining Advisor

604-899-6719

rholland@bcsc.bc.ca

www.bcsc.bc.ca

