

MEMORANDUM

To: File

From: Brian Abraham

Date: June 21, 2022

Subject: CSA Consultation Paper 43-401 dated April 14, 2022
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A general comment is that the technical reports have become too large and contain significant technical information which may not be useful to the average reader.

I also think that there should be some consideration given, perhaps in the Risk Factors, that the report is as of a given date and is future oriented and does not take into account permit delays and other potential factors which may mean the present situation may not apply.

History

In terms of history, it is important that the CIM (because of the requirements in 43-101 to deal with CIM matters) that perhaps Best Practices could be treated as being advisory perhaps in the nature of the companion policy as opposed to being law, which is the instrument.

Because there are new minerals being explored or mined today, as well as the electrification, green energy and carbon neutral initiatives, it might be useful to expand the requirements for disclosure of such minerals, particularly with regard to the specifications required for the use of such minerals by industry, the recovery of such minerals and also the pricing in terms of determining whether or not a resource would meet the requirements of reasonable prospect of eventual economic extraction.

I would not want to see the inclusion of some of the items in SK1300, for example, the percentages at each stage of a project's development being adopted. I see that as being problematic, not necessarily for the purpose of identifying the probabilities but more for the purpose of secondary market liability because I can't see that most of those percentages being met, even if there is a large amount of latitude provided.

I think that there should also be encouragement for individuals who are acting as Qualified Persons to assess their independence, competence, expertise or experience related to the commodity type or deposit type. Perhaps this is one area that needs further attention in terms of review of technical reports

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and individuals who may be considering themselves as Qualified Persons in a given area when, in fact, they may not necessarily be qualified.

Consultation Questions

- 1A The form does address pre-mineral resource stage projects adequately although perhaps it may be shortened. The difficulty with this of course is that I can see companies taking advantage of including all sorts of information in the report which does not identify a resource but comes close in the same manner that PEA studies can sometimes intrude into pre-feasibility studies and feasibility studies.
- 2A One of the risks of reducing the relevant technical information is that critical information might not be disclosed. I agree though that information should be provided in a more condensed format. If this is proposed to be part of other continuous disclosure documents such as a news release or AIFs or MDNAs, then perhaps those could be referenced in the report to reduce the size of the report.
- 2B Such a proposal to provide information in a condensed format might be appropriate for very early stage exploration projects for example when there hasn't been any drilling done on the project and the targets have been identified either by geochemical or geophysical or perhaps geological interpretations.
- 3A 43-101 is probably the leading form of disclosure and while I think its useful to consider other influential mining jurisdictions, I think that it would be better left to CRIRSCO and try to do it under an international umbrella as opposed to local forms of disclosure.
- 3B If there is a line up with JORC and some aspects of SK1300 and perhaps other codes such as a Pan European Code or SAMREC that might be useful.
- 4 The 45-day period could be shortened to 30 days, particularly given that when the announcement comes out about a technical information report, in my experience, the report has already basically been prepared and it is just a question of signing off on the report.
- The use of new technologies I think is one that we have to pay further attention to. The potential use of remote technology to conduct a current personal inspection I don't think should be encouraged because the information contained in a satellite review or a drone review is no substitute for examining the property on the ground.
- 5 If remote technologies are acceptable then I think there needs to be careful parameters drawn around the use of such remote technology.
- 5B, 6 Data verification disclosure requirements. I agree that data verification is one area where there seems to be reliance on former information under the guise of it being valid and when language such as "there is no reason not to rely upon it" is included. I think it's important though that the QP verify the data where such data is utilized. The concern here is that often the drill locations can't be fully identified and there may not be information for example with respect to the dip or the

azimuth of holes set out and even the exact location of the collar can be called into question. The reliance on previously filed technical reports for data verification I think is one area that needs to be tightened up on. The statement that “industry standards were followed in the collection of data” in the past is a challenge because the standards clearly change over time, they evolve, and we have seen in the last few years much more detailed information available with regard to resource data.

7 Details on what has been relied on needs to be clearly spelled out.

8 I would not move the personal inspection information into Item 12 of the form rather than Item 2D. I think the solution is to have the data verification clarified or prepared or verified by the actual individual who conducted that and particularly where there happens to be economic parameters applied then it may be necessary that the data verification is carried out by more than one Qualified Person.

C Historical Estimate Disclosure

9 Perhaps there should be a new definition adopted for historical estimates being every estimate prior to the current estimate and there should be some basis or rationale for disclosing a historical estimate.

10 Section 2.4 dealing with historical estimates is adequate but perhaps additional guidance could be provided.

D Preliminary Economic Assessments

11 It might be useful to adopt some of the provisions in the Association for the Advancement of Cost Engineering (AACE International).

12 The risk disclosure statements on preliminary economic assessments should be enhanced.

13 It is a difficult situation where you could have changes to the PEA without a change to the mineral resource estimates since the mineral resource estimate is the base of the preliminary economic assessment. If it is based on prices then you run into issues about what is the impact of the cut-off grade, the recovery because if the price is higher than the recovery could, for example, be lower as could the potential grade. It is difficult to see how Item 13 would permit a non-independent QP.

14 It is fair to allow a preliminary economic assessment on the assumption that a mineral reserve that was formerly established is no longer applicable. The use of by-products is a challenge because often the by-products don't address the cost of recovering the by-product, the amount of the by-product that might be recoverable and what the ultimate sale price for the by-product is. In addition, there are numerous issues and I understand it with regard to metallurgical recovery of a by-product where the recovery of the by-product might interfere with the recovery of the main product from a metallurgical or smelting or refining process.

- 15 The inclusion of by-products in cash flow models is a challenge for some of the reasons stated above. While a by-product may be present that doesn't necessarily mean that its economically recoverable without impacting the metallurgy of other minerals.

E Qualified Person Definition

This is one area that needs to be clarified in that five years of experience is subsequent to obtaining the professional accreditation and not simply five years' experience prior to the timeline that the Qualified Person has been a registered individual.

- 16 The definition of "QP" needs to be clarified. The requirement to have a university degree in the area of geoscience or engineering I think is necessary as it forms the base for the Qualified Person's education.
- 17 I would not expand the definition of "Qualified Person". I think the solution in this area is to expand the carve-outs in Item 3 as to include additional disciplines but there should be a complete rationale provided for the inclusion of such other technical or social or environmental persons.

Qualified Person Independence

- 18 It would be useful perhaps to have some additional guidance in Section 1.5 in naming executive officers a Qualified Person in some instances.
- 19 Directors and officers perhaps should not be authoring technical reports even where independence is not required because there is a potential for a conflict of interest as they could be subject to external pressures as well.

F Current Personal Inspection

- 20 It is difficult to come up with parameters for a definition for "Current Personal Inspection" because a property, for example, might not have had anything done on it for five years and the last personal inspection was done at that point in time which should be adequate, but there could be situations where there is quite a bit of work done on a property in last year and a personal inspection must be carried out in that circumstance. I think its important that perhaps more than one Qualified Person conduct a personal inspection particularly where pre-feasibility studies or feasibility studies are involved since this could involve civil engineering aspects, mechanical engineering aspects, and other disciplines not normally associated with pre-development mining projects.
- 21 It might be a good suggestion to require current personal inspection for the individual that prepared the mineral resource estimate. This however could raise costs because often the individuals preparing the mineral resource estimates are often doing so on the basis of information provided by the drilling and assay results, etc.

22 Waiving a personal inspection, unless there is some very valid reason for doing so, is not necessarily in the interests of the investors.

23 It probably would be useful to delete Section 6.2(2).

G Exploration Information

24 Section 3.3, dealing with requirements applicable to written disclosure of exploration information perhaps should consider additional sources of information, for example, satellites, drones and new technologies such as XRF and new analytical assay methods.

H Mineral Resource / Mineral Reserve Estimation

25 Specific disclosure requirements for reasonable prospects for eventual economic extraction should be considered.

Data Verification

26A The QP for the resources should be responsible for the data verification.

26B It is important if the sampling, analytical and QA/QC information is no longer available that data verification requirements should be enhanced.

Risk Factors with Mineral Resources and Mineral Reserves

27 The area of risk disclosure needs to be enhanced significantly in technical reports. The risk here is that people will ignore this and not comment on it sufficiently.

Environmental and Social Disclosure

28 Environmental disclosure requirements have to be enhanced and perhaps the solution here is to include in Item 3 carve-outs for experts in the environmental area who would not meet the requirements of a QP.

29 Social disclosure is another area that needs to be addressed and perhaps carve-out in Item 3 is necessary.

30 Community consultation is another area that needs to be enhanced.

J Rights of Indigenous People

With the UN Declaration of Rights of Indigenous Persons being more recognized albeit subject to conditions of the legislation, then this is another area that perhaps should be expanded and the reliance of experts in that area should be considered as carve-outs under Item 3. The risks in this area are significant.

K Capital and Operating Costs Economic Analysis

- 34 Item 21 dealing with capital and operating costs needs to have more guidance provided.
- 35 Providing for a classification system of the Association of the Advancement of Cost Engineering might be helpful however this is more in the area of knowing what the costs are and in the mining industry that is often difficult to determine because it is not like building an apartment building or a bridge or an airport.
- 36 The risks need to be enhanced and additional disclosure.

Economic Analysis

- 37 I don't know that you can use standardized discount rates because these vary over time and economics and so many other factors that if you were to set them out, people would be using them and that they would potentially be misleading.

L Other

- 38 The answer to this is more than, how do we address the points that have already been raised above, and then decide which areas of the disclosure should be removed or modified to assist investors.

BA/kk