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December 12, 2012

Re: CSA notice of republication and request for comment regarding:

- Proposed National Instrument 51-103 *Ongoing governance and disclosure requirements for venture issuers*
- Proposed amendments to
 - National Instrument 41-101 *General Prospectus Requirements*
 - National Instrument 44-101 *Short Form Prospectus Requirements*
 - National Instrument 45-106 *Prospectus and Registration Exemptions*
 - Related consequential amendments

To the following regulatory bodies:

- British Columbia Securities Commission
- Alberta Securities Commission
- Saskatchewan Financial Services Commission
- Manitoba Securities Commission
- Ontario Securities Commission
- Autorité des marchés financiers
- Nova Scotia Securities Commission
- New Brunswick Securities Commission
- Prince Edward Island Securities Office
- Office of the Superintendent of Securities, Government of Newfoundland and Labrador
- Department of Community Services, Government of Yukon
- Office of the Superintendent of Securities, Government of the Northwest Territories
- Legal Registries Division, Department of Justice, Government of Nunavut

As the voice of Canada's mineral exploration industry, the Prospectors and Developers Association of Canada (PDAC) takes an active interest in the regulatory environments that shape the landscape within which our industry operates, including the regulatory system created and administered by the various securities commissions across Canada.

We note with concern the changes being put forward in Proposed National Instrument 51-103 and the related amendments to other National Instruments.



Junior resource issuers have been faced with a relentless stream of modifications to disclosure and financial reporting standards in the past few years, without any demonstrable corresponding increase in protection to the investing public. Just as our members get up to speed on a particular set of standards, they are faced with revisions to those standards and/or new standards that require unnecessary expenditures of their all too scarce resources.

Our members are not in a position to implement a new disclosure system. Each time new disclosure requirements are imposed, (even if they are intended to reduce the disclosure burden for issuers) there is a significant cost to issuers. Issuers have just paid a very high price for the implementation of the new IFRS system, and most are not in position to pay for the implementation of a new annual and interim reporting system.

Although we agree with some of the proposed initiatives, which have the potential to increase investor protection and reduce regulatory burden (see Annex I), we would like to raise significant concerns about the majority of the proposed changes. In our view these will increase the regulatory burden faced by the junior exploration industry without any obvious and immediate improvements to investor protection (see Annex II).

We are of the view that now is not the time to make these changes to the various disclosure rules given the challenging financial situation that juniors currently find themselves in.¹ It is in moments of global economic turmoil that we would request extra support and consideration from regulatory institutions, not increased burdens and related increases in costs.

We invite you to work with us to support the survival and sustainability of the junior exploration sector.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Ross Gallinger', is written in a cursive style.

Ross Gallinger
Executive Director
Prospectors and Developers Association of Canada

¹ According to data from [Capital IQ](#), 35% of the mining companies on the TSX-V have less than \$200,000 cash on their balance sheets, and 65% have less than \$1 million. Year to date, about \$2 billion has been raised through the equity markets for TSX-V listed junior mining companies, compared to \$4 billion per year in 2011 and 2010. 34% of these companies are trading at less than \$0.05; 56% at less than \$0.10.



ANNEX I
CHANGES THAT THE PDAC SUPPORTS

OSC PROPOSED CHANGES	
<i>Creating a new tailored governance and continuous disclosure regime for venture issuers by...</i>	... enabling more impartial decision-making by the audit committees of venture issuers
	... introducing substantive corporate governance requirements relating to conflicts of interest, related party transactions and insider trading
	... requiring the delivery of disclosure documents only on request, in lieu of mandatory mailing requirements
<i>Amending the rules relating to prospectus offerings and specified prospectus-exempt offerings in order to...</i>	...modify the disclosure required by a venture issuer in connection with a long form prospectus under NI 41-101 (by creating a new long form prospectus form for venture issuers that conforms to disclosure required in an annual report under the proposed instrument)
	...require only two instead of three years of audited financial statements to be included in a long form prospectus filed by a venture issuer
	...require only two instead of three years of audited financial statements to be included in a long form prospectus filed by a venture issuer
	...permit a venture issuer to incorporate by reference to the continuous disclosure documents prepared under the proposed instrument when preparing any of the following: <ul style="list-style-type: none"> • a short form prospectus under NI 44-101; • a qualifying issuer offering memorandum under NI 45-106; • a TSX Venture Exchange short form offering document as contemplated under NI 45-106.



ANNEX II
CHANGES WITH WHICH THE PDAC HAS CONCERNS

OSC PROPOSED CHANGES		PDAC COMMENTS
<p><i>Creating a new tailored governance and continuous disclosure regime for venture issuers by...</i></p>	<p>... consolidating disclosure of the venture issuer’s business, management, governance practices, audited annual financial statements, associated management’s discussion and analysis (MD&A) and CEO/CFO certifications in a single document: the annual report.</p>	<p>While it is acknowledged that the AIF is a useful document for investors when they want to find out basic information about the business of the issuer (and that it is harder to piece together the equivalent information from TSX V listed companies that do not have AIFs) the learning curve and frustration of TSX V issuers that are not already filings AIFs in complying with the new form overrides the desirability of the proposed amendments at this time.</p> <p>It also is the view of the PDAC that this consolidation will not result in a reduction of the regulatory burden on issuers, because in essence the effect is that all TSX V issuers will be required to produce the equivalent of an AIF.</p> <p>In the short term at least, introducing a new form of reporting will impose an unnecessary regulatory burden on those issuers who are least able to afford it. Typically when far reaching changes to disclosure rules such as these are introduced the costs to issuers in terms of time away from their business, inconvenience and hard costs related to lawyers, accountants and the fees of other professionals are disproportionate to any advantage that might be gained by issuers from the changes (at least, in the short term).</p>



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OSC PROPOSED CHANGES		PDAC COMMENTS
	<p>... streamlining the disclosure in information circular by moving governance disclosure to the annual report</p>	<p>This will require a rewriting of current disclosure now found in management information circulars and AIFs and will present a major inconvenience to issuers. This is not the time to impose such far-reaching changes on issuers who currently are struggling to update their current disclosure.</p> <p>Issuers will be required to either take long periods of time away from their businesses to rewrite their disclosure or spend large sums of moneys on lawyers and other service providers to create the new disclosure.</p>
	<p>... replacing interim MD&A requirements with a requirement for a short discussion of the venture issuer’s operations and liquidity (“quarterly highlights”) to accompany the 3, 6 and 9 month interim financial reports</p>	<p>PDAC sees no benefits to quarterly highlights. Currently issuers are used to producing MD&A and are familiar with MD&A reporting. Introducing the new quarterly highlights concept will require issuers to reorient their disclosure to accommodate the new rules in this area.</p> <p>It would be far better to merely eliminate the 3 and 9-month reporting requirements but leave the 6-month reporting requirement under the current MD&A standards.</p>
	<p>...replacing the requirement for business acquisition reports (BARs) in connection with acquisitions of significant businesses with enhanced continuous disclosure reporting, including disclosure of material related entity transactions, and requiring financial statements for business acquisitions that are 100% significant based on a market capitalization test</p>	<p>While there are issues with the current BAR requirements, eliminating them altogether would create considerable uncertainty as to reporting requirements in the instance of business acquisitions.</p> <p>Issuers would struggle with what information would be required in material change reports for example. Rather than eliminating the BARs altogether a better solution might be just to eliminate the pro forma</p>



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OSC PROPOSED CHANGES		PDAC COMMENTS
		requirement, which is an extremely onerous and often-unworkable disclosure requirement
	... tailoring and streamlining director and executive compensation disclosure	The entire area of executive compensation needs to be reviewed. Certain of these disclosure requirements are so complex so as to be nearly incomprehensible by both issuers and investors. In particular the disclosure requirements respecting stock options often results in misleading disclosure
<i>Amending the rules relating to prospectus offerings and specified prospectus-exempt offerings in order to...</i>	Requiring all venture issuers to file an annual report (making them eligible to file a short form prospectus)	Given the challenging times, the PDAC does not support the introduction of a requirement for an annual report at this time.
<i>Amending local securities rules to...</i>	...designate as “core documents” for the purpose of secondary market civil liability, the annual report and the interim report	
<i>Amending the SEDAR filing categories to...</i>	... more specifically contemplate the annual report and the interim report	