



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

July 15, 2013

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 2S8
comments@osc.gov.on.ca

Anne- Marie Beaudoin
Corporate Secréter
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment - Proposed Amendments to National Instrument 62-103 – *Early Warning System and Related Take-over Bid and Insider Reporting Issues* (the “Proposed Amendments”)

This letter is submitted on behalf of The Prospectors & Developers Association of Canada (“PDAC”) in response to the invitation to comment on the Canadian Securities Administrations (“CSA”) with respect to the Proposed Amendments.

PDAC is an industry organization which represents the interests of the Canadian mineral exploration and development industry. The association was established in 1932 in response to a proposed government regulation that threatened the livelihood of Ontario prospectors. Today, 81 years after its founding, the association is a national organization with 10,000 individual members (including prospectors, developers, geoscientists, consultants, mining executives, and students, as well as those involved in the drilling, financial, investment, legal and other support fields) and over 1,200 corporate members (including senior, mid-size and junior mining companies and organizations providing services to the mineral industry).

PDAC appreciates the CSA’s concerns regarding hidden ownership and empty voting and the benefits of enhanced disclosure. However, PDAC has concerns regarding the consequences of decreasing the early warning threshold from 10% to 5%, particularly on junior issuers.

In our view, if investors are required to disclose share holdings of mining or exploration companies at 5%, the lower filing early warning reporting will be triggered very easily and therefore have unintended consequences for the ability of the mining industry to raise capital.

Under the current early warning reporting regime, many of our members experience situations where investors limit aggregate investment to less than 10% of the outstanding shares of the company so that these investors do not have any subsequent filing requirements. An early warning reporting threshold of 5% may cause these same investors to now cap their investment threshold to less than the proposed 5% reporting limit, resulting in a 5% loss of investment capital. Any reduction in investment levels will have significant negative effects for the mining and exploration industry.

An early warning reporting threshold of 5% will also capture many passive investments that are not currently captured by the 10% early warning reporting requirements. Should these same investors adopt a similar investment model to investors that limit their aggregate investments to less than 10%; this will further exacerbate the negative effects on the mining and exploration industry. Additionally, those investors that currently limit their investment to less than 10% may elect to divest themselves of securities in order to fall below the proposed 5% early warning reporting threshold. The combined effect of lower financing levels and market sell off as investors reduce their share positions to the proposed 5% reporting threshold will be to drive down the share price of mining and exploration companies, thereby reducing shareholder value. Given the issues the industry is currently experiencing with respect to raising capital and sustaining shareholder value, the proposed policy appears to be ill advised. Moreover, given the reporting and disclosure obligations and associated costs that a relatively small investment of 5% may represent to a junior company, PDAC is concerned that overall investment in such companies would be discouraged.

The majority of mining issuers in Canada are junior issuers. According to published materials of the Toronto Stock Exchange (the "TSX"), as of May 31, 2013, there were a total of 1,659 mining issuers listed on the TSX and TSX Venture Exchange (the "TSXV"), 79% of which are listed on the TSXV. Of the 1,700 mining financings which took place on the TSX and TSXV in 2012, 85% occurred on the TSXV. In 2012, 80% of new mining listings occurred on the TSXV. In addition, many of the TSX-listing mining issuers are non-exempt issuers. Given this, PDAC is concerned that the reduction in the early warning threshold will have a disproportionate adverse effect on junior and non-exempt issuers. Junior mining and exploration companies are the lifeblood of our senior market issuers and PDAC encourages the CSA to refrain from placing any increased burdens on this segment of our industry. We would recommend that the early warning threshold remain at 10% for all issuers.

PDAC appreciates this opportunity to provide you our comments. If you have any questions regarding the foregoing, kindly contact the undersigned.

Yours truly,



Ross Gallinger, P.Ag.
Executive Director
Prospectors & Developers Association of Canada

Cc: Barbara Hendrickson, Co-Chair of PDAC Securities Committee
Brice McLeod, Co-Chair of PDAC Securities Committee
Jonathan Grant, Member, PDAC Securities Committee (McCarthy-Tetrault)