




Understanding the SEC's Proposed New Mining Disclosure Rules

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Agenda

- **Reasons for the Revision**
- **Highlights of the Proposed Rules**
- **Question and Concerns with Proposed Rules**
- **Questions**



UNDERSTANDING THE SEC'S PROPOSED NEW MINING DISCLOSURE RULES

Industry Concerns with Guide 7

- **Guide 7 encapsulates the SEC's rules for for mining disclosure**
 - 30 years old and out of date
 - Industry participants have urged revisions for years
- **Committee for Mineral Reserves International Reporting Standards (CRIRSCO) form the basis of mining disclosure in several countries**
 - Significant differences from Guide 7
- **Guide 7 disclosure limitations led many issuers to disclose mineral resource information on websites and in press releases**

Proposed Rules Long Overdue, but. . .

- **A welcome change for most mining companies**
 - U.S. disclosure would move much closer to global industry standards
- **However, as proposed they are very restrictive**
 - Concern over increased liability?

Highlights of the Proposed Rules

- Based on global industry standard pursuant to CRIRSCO
- Recognizes measured, indicated and inferred mineral resources
- Requires disclosure of exploration results, mineral resources and mineral reserves
- Reserves can be established using
 - Final or pre-feasibility study
 - Two year trailing average commodity price, or reasonable contract price
- Requires the filing of a technical report summary prepared by a qualified person
- Establishes exploration, development and production stages for mining projects



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A vertical rectangular graphic on the left side of the slide, showing a green-tinted globe with a grid pattern, representing global industry standards.

Some of our questions and concerns



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What is a mineral or “material of economic interest”?

- **Guide 7**
 - Not defined
- **Proposed Rules**
 - More expansive
 - Includes
 - mineralization, including dumps and tailings
 - geothermal fields
 - mineral brines
 - other resources extracted on or within the earth’s crust
 - Excludes
 - oil and gas resources
 - gases
 - water

What is a mineral resource?

- **Guide 7**
 - Doesn't recognize resources
- **Proposed Rules**
 - Establishes measured, indicated and inferred resources
 - Definition:
 - “concentration or occurrence of material of economic interest in or on the earth’s crust in such form, grade or quality, and quantity that there are reasonable prospects for its economic extraction”
 - Determination includes cut-off grade estimation
 - Modifying factors for measured and indicated (“M&I”) mineral resources include discussions of hydrologic and geotechnical issues
 - QP must state the following relating to inferred resources:
 - “the QP expects at least x% of the inferred mineral resource to convert to indicated or measured mineral resources with further exploration and analysis”

What is a mineral reserve?

- **Guide 7**
 - That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination
 - Only a final “bankable” feasibility study as basis
 - Trailing three-year average prices
- **Proposed Rules**
 - An estimate of tonnage and grade or quality of indicated or measured mineral resources that, in the opinion of the qualified person, can be the basis of an economically viable project
 - A preliminary or final feasibility study by a QP as basis, applying modifying factors to measured and indicated resources
 - Accuracy and contingency levels required in reports relating to capital and operating costs
 - Pre-Feasibility Study: Accuracy $\pm 25\%$; Contingency $\leq 15\%$
 - Feasibility Study: Accuracy $\pm 15\%$; Contingency $\leq 10\%$
 - Commodity price no higher than the trailing 24-month average, or a reasonable contract price
 - Exclusive of mineral resources
 - Life-of-mine plan that is technically achievable and economically viable, based on a discounted cash flow analysis

What must be disclosed (and what can't be)?

- **Guide 7**
 - Exploration Results are not addressed
 - Only proven and probable reserves, no resources
 - Additional disclosure can be included if foreign law requires, such as Canada's NI 43-101
 - Informal Staff guidance currently allows disclosure of “mineralized material”
 - Only presented as in-place tonnage and grade, not contained ounces
- **Proposed rules**
 - Exploration Results must be disclosed
 - Reserves and resources must be disclosed
 - However, if not determined in accordance with the proposed rules, then disclosure is not permitted

What must be disclosed?

- **For all mining properties**
 - Map showing location of properties
 - Table of 20 largest properties (by asset value) with specified information on each property
 - Summary of all reserves and resources at FYE for properties containing $\geq 10\%$ total reserves or M&I resources
- **For each material mining property**
 - Table of exploration activities
 - Table of year-to-year comparisons of reserves and resources
 - Additional specified narrative disclosure
 - Filing a technical report summary prepared by a qualified person

If and when a technical report summary must be filed and updated?

- **Guide 7**
 - Not required to be filed
- **Proposed Rules**
 - Yes, filed as an exhibit to its SEC annual report or registration statement at time of first disclosure of material exploration results, mineral resources or mineral reserves
 - Updated at time of a material change in the exploration results, mineral resources or mineral reserves for a material property, such as
 - change in exploration results that significantly alters the exploration target's potential
 - an annual 10% change in resources or reserves (excluding production)
 - a cumulative 30% change in resources or reserves (excluding production)

What role does a Qualified Person (QP) play?

- **Every** filed disclosure of resources, reserves and material exploration results must be based on, and reflect information and documentation prepared by, a QP
- **QPs:**
 - quantify and disclose the uncertainty associated with mineral resource and mineral reserve estimates (i.e. relative accuracy, specific confidence level, and preliminary production schedule)
 - must conclude there are reasonable prospects for economic extraction of mineral resources by qualitatively applying the modifying factors likely to influence economic extraction

What does a QP have liability for?

- QPs will be an expert who must provide a consent for Securities Act filings
- QPs are liable for any untrue statement or omission of a material fact contained in the technical report summary
- QPs may rely on other expert opinions, but the proposed rules do not permit them to disclaim liability if they do so

Who is a QP?

- **A QP is a mineral industry professional with a minimum of 5 years of relevant experience in type of:**
 - Type and style of mineralization
 - Deposit under consideration
 - Specific type of activity
- **Must be a member of a recognized professional organization**
- **Need not be independent (i.e. may be an employee)**
- **Issuer responsible for**
 - Determining if an individual satisfies QP requirements
 - Obtaining a technical report summary from the QP

Technical Report Summaries

- **There are four types of technical report summaries:**
 - A summary disclosing material exploration results
 - An initial assessment, which is required to establish mineral resources
 - A preliminary feasibility study (pre-feasibility study), which is required to establish mineral reserves
 - A feasibility study or final feasibility study
- **Requirements follow NI 43-101/JORC/SAMREC etc.**
- **Must be**
 - Prepared in “plain English” so understandable to a lay person
 - Avoid large amounts of technical data
 - Prepared, dated and signed by the QP
- **Required for material events affecting exploration, development, and production properties**

Technical Report Summaries

- **Initial assessment for declaration of mineral resources**
 - Narrower than a scoping or conceptual study is some CRIRSCO codes or a NI 43-101 preliminary economic assessment
 - Must include a qualitative evaluation of modifying factors to establish the economic potential of the mining property or project
 - **Must** include cut-off grade based on assumed unit costs for operations and estimated mineral prices
- **If an economic analysis performed, it must include detailed cost estimates and discounted cash flow**
- **Accuracy and contingency levels required in reports relating to capital and operating costs**
 - Initial Assessment: Accuracy $\pm 50\%$; Contingency $\leq 25\%$
 - Pre-Feasibility Study: Accuracy $\pm 25\%$; Contingency $\leq 15\%$
 - Feasibility Study: Accuracy $\pm 15\%$; Contingency $\leq 10\%$

Other Differences

- **Internal controls used in exploration and mineral resource and reserve estimation efforts**
 - No disclosure required under Guide 7
 - Required disclosure under the proposed rules
- **Use of US Geological Survey published Circular 831 and 891**
 - Guide 7
 - Staff has not objected to use of the circulars to classify resources of coal or industrial minerals
 - Proposed Rules
 - Circular 831 and 891 are inconsistent with the proposed rules and would no longer be used

Transition and Cross-Border Issues

- **US Domestic Issuers with Guide 7 Reserves**
- **Foreign Issuers and US Dual-Listed Issuers**
- **Canadian MJDS Issuers**



QUESTIONS?

Thank You For Attending

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