



COMMITTEE FOR MINERAL RESERVES  
INTERNATIONAL REPORTING STANDARDS

## Code Updates – NI43-101 CANADA

Deborah McCombe, P.Geo  
Past Chairperson  
CRIRSCO Annual Meeting  
Bogota, Columbia  
November 21, 2013

- Background on NI43-101 Technical Reports
- Issues Identified by Regulators with Technical Reports (OSC Staff Notice 43-705)
- Additional TSXV Requirements
- CSA Staff Notice 43-307 Preliminary Economic Assessments
- Additional Guidance



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# Technical Report Basics

- **Who** Prepared by QPs, often independent of the issuer and the property
- **What** Current **summary** of material technical information on a **material** property
- **When** Triggered by milestone events and filed within a specific timeframe
- **Where** **Filed publically on SEDAR**
- **Why** Supports an issuer's technical disclosure and assists investor's' decisions
- **How** Must follow prescribed Form 43-101F1 and requirements of NI 43-101

## Property Milestones

- 1st time disclosure of:
  - Mineral resources
  - Mineral reserves
  - Preliminary economic assessment (PEA)
- Material change of the above

***Success Driven Triggers***

## Company Milestones

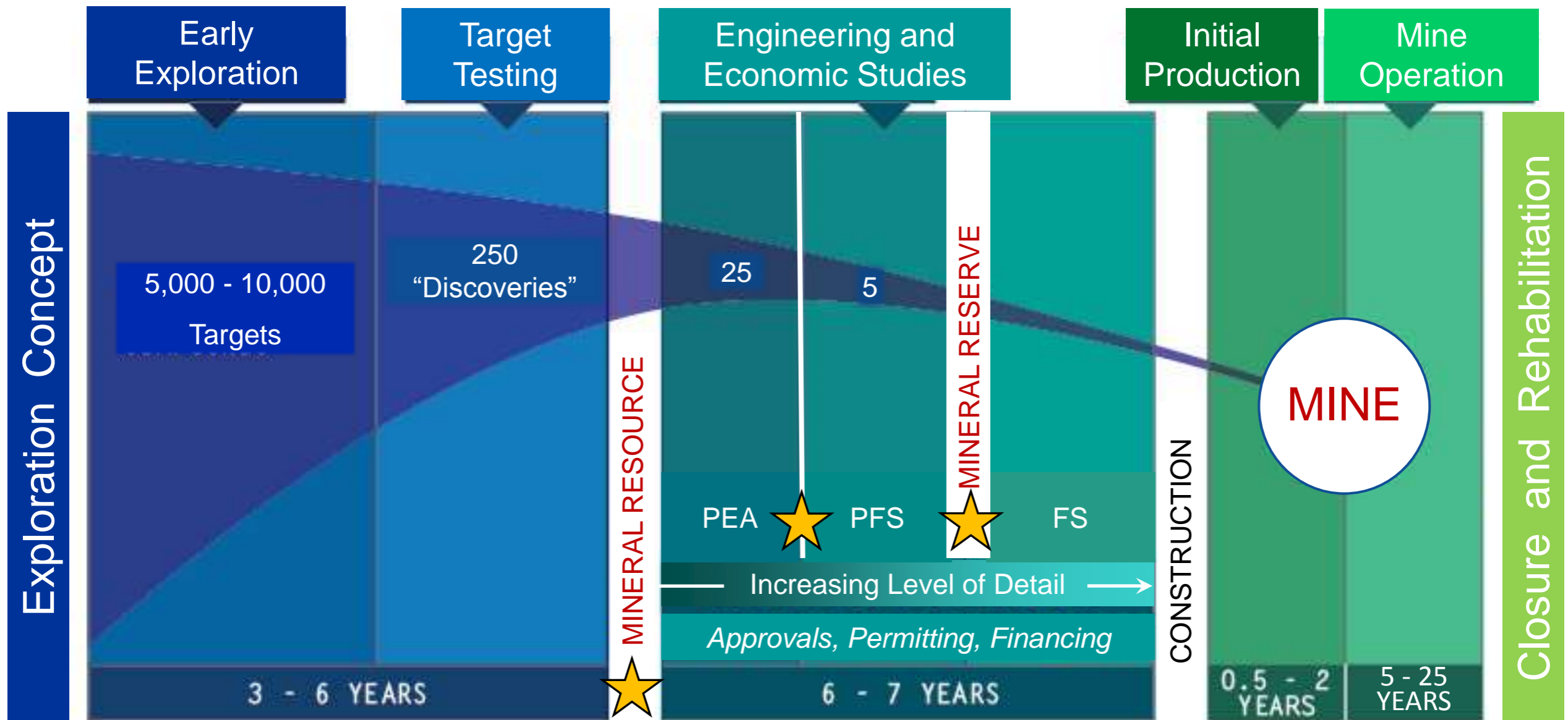
1st time reporting in Canada

Filing of:

- Preliminary (long form) prospectus
- Preliminary short form prospectus
- Information or proxy circular
- Offering memorandum
- Rights offering circular
- Annual information form
- Valuation
- TSX Venture offering document
- Take-over bid circular

***Events Driven Triggers***

# Exploration process and “success” triggers



★ Technical report “success driven” trigger

# Aren't all technical reports on SEDAR compliant?

- Misconception
  - All technical reports filed on SEDAR has been reviewed and approved by a securities regulator.
- Facts
  - Company is responsible for filing a compliant technical report.
  - Company is responsible for hiring QP to prepare the technical report.
  - QP is responsible for preparing a technical report in compliance with NI 43-101 and certifying that it is compliant.
  - Securities regulators do not pre-approve or certify technical reports as being compliant.

*Reality: 90% of technical reports on file have not had any form of compliance review by securities regulators*



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# Technical Report Reviews by OSC Staff

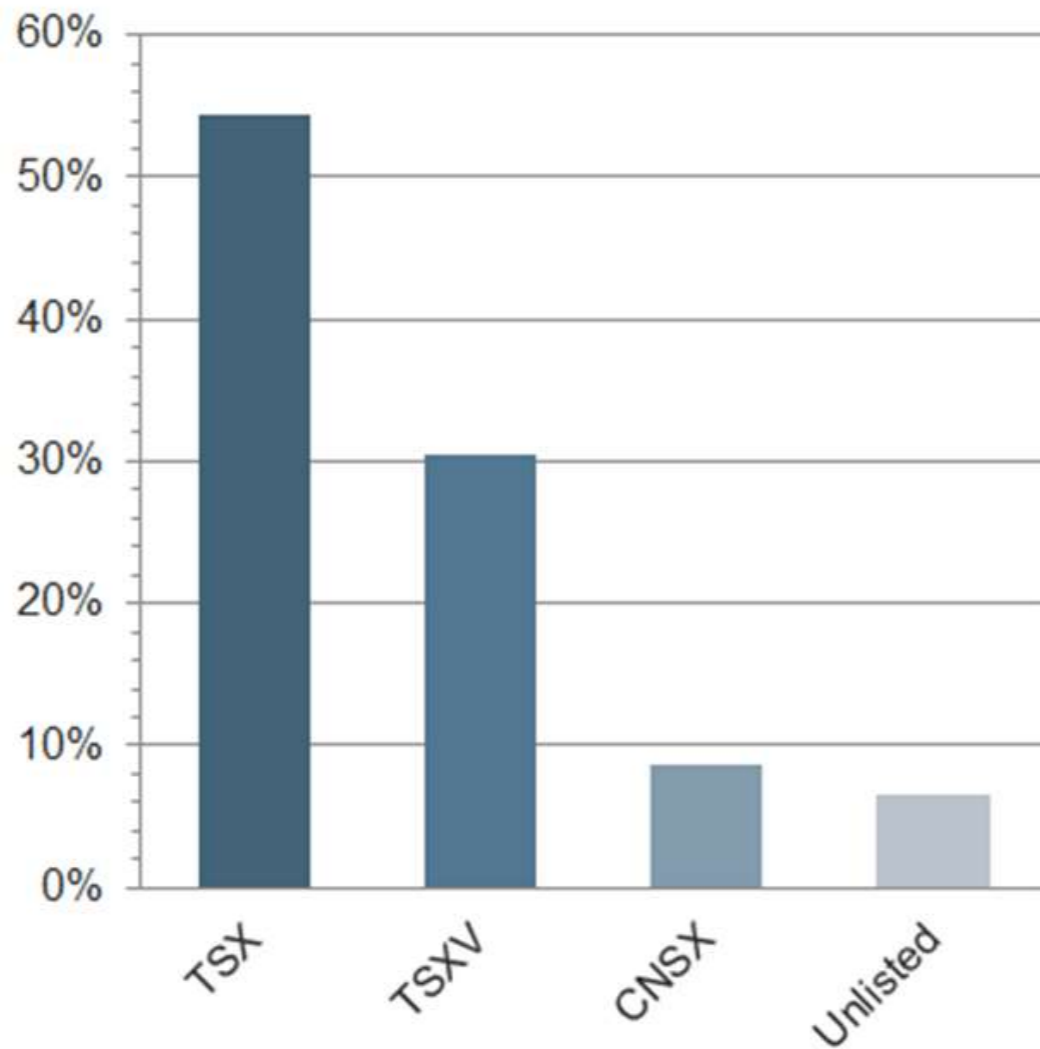
OSC Staff Notice 43-705  
June 27, 2013



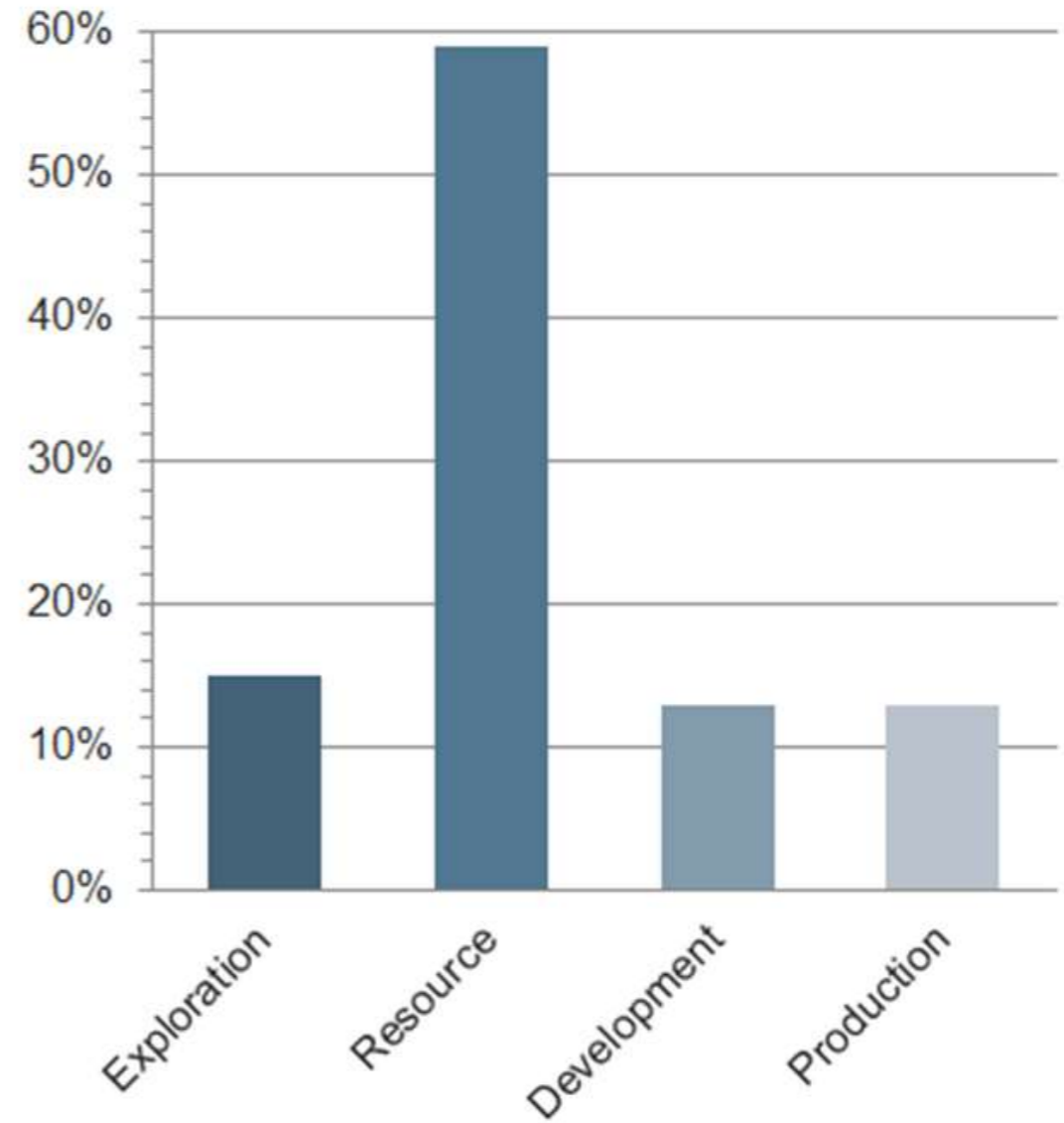
- What
  - Review of technical reports filed on SEDAR by Ontario-based companies.
- When
  - 1<sup>st</sup> year of revised NI 43-101 (June 30, 2011 to June 29, 2012).
- Why
  - Assess compliance with the revised NI 43-101 and technical report form.
- How
  - Review about 10% of the filed technical reports (**50** out of 460 technical reports).

# Characteristics of the company

*Issuer's main stock exchange listing*

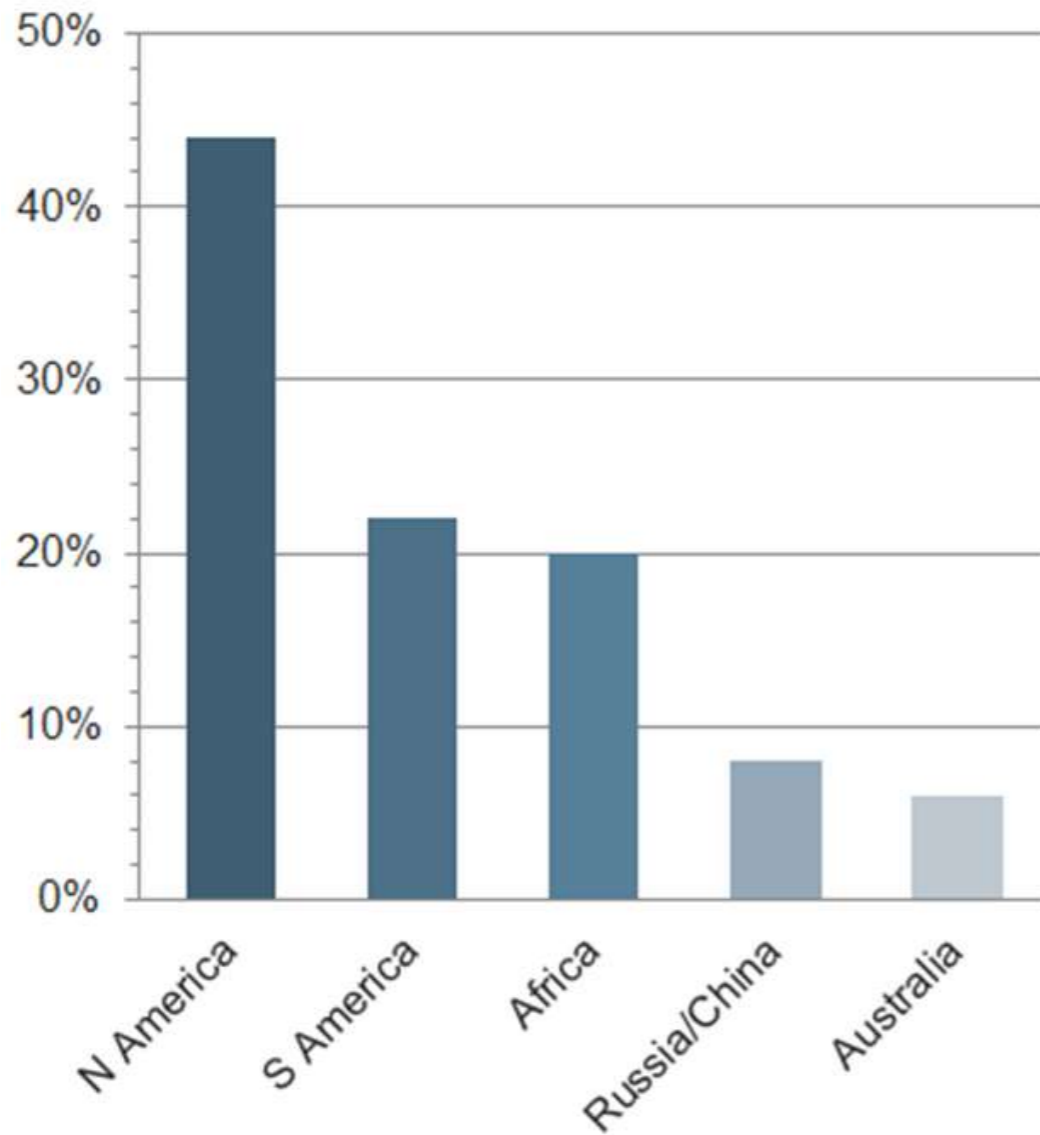


*Issuer's stage of development*

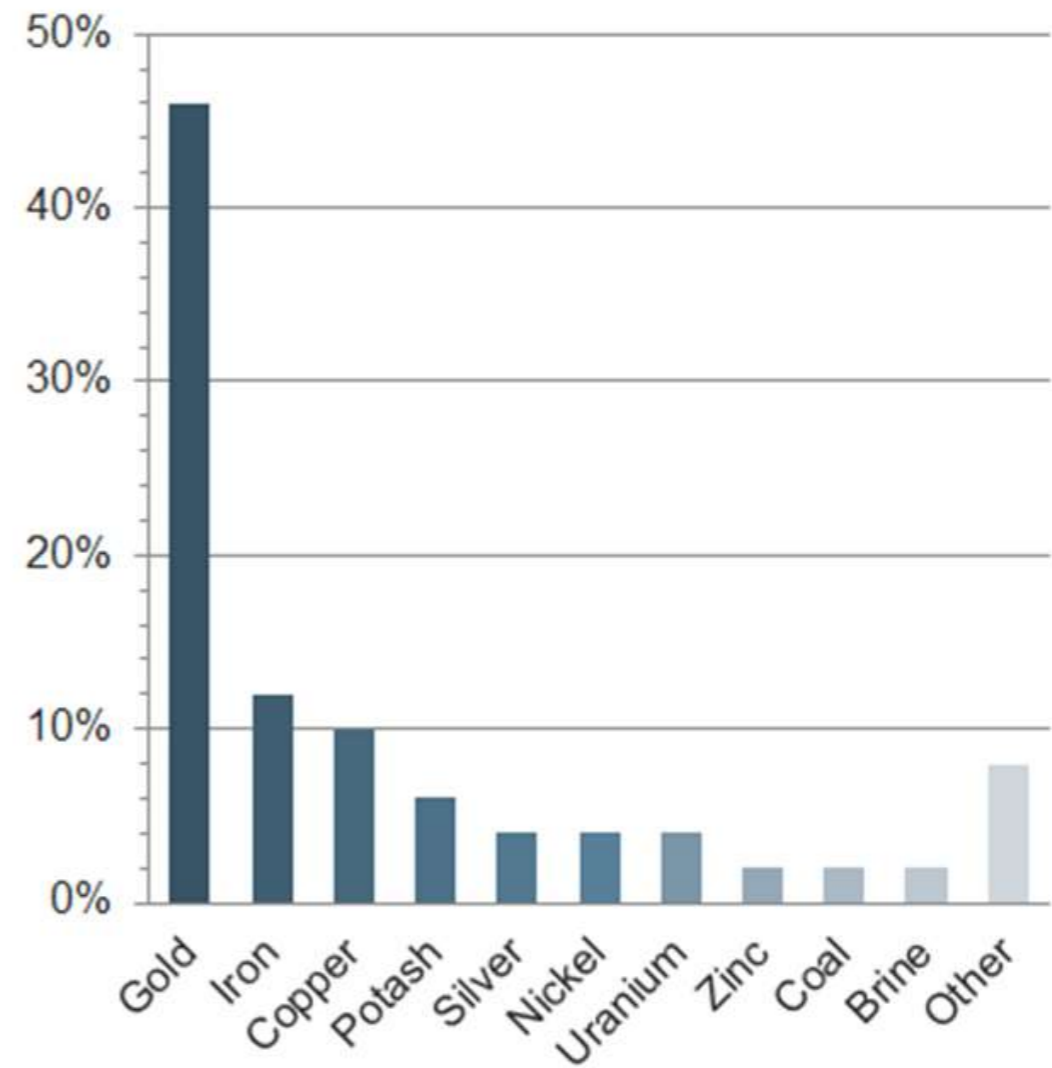


# Characteristics of the mineral property

*Location of the mineral property*

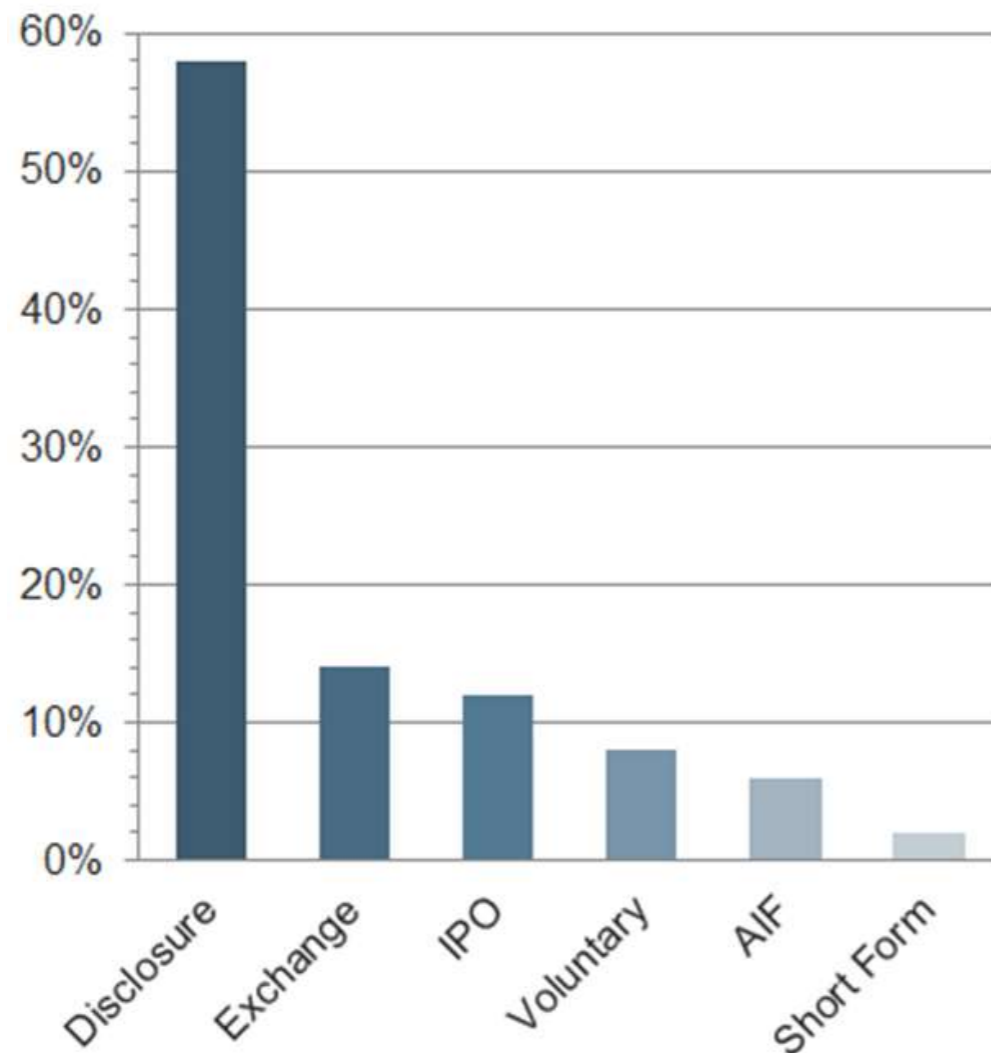


*Primary mineral commodity*

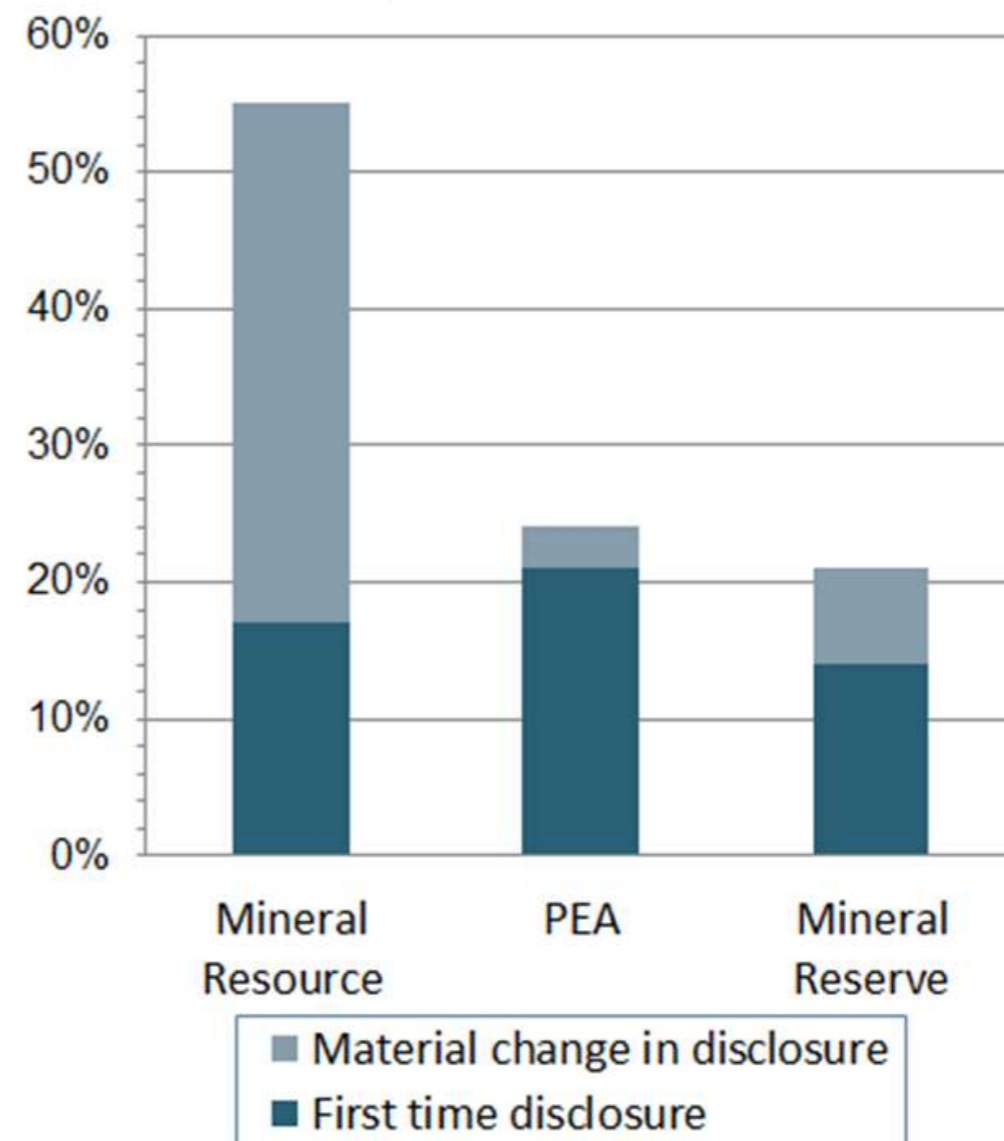


# Characteristics of the technical report trigger

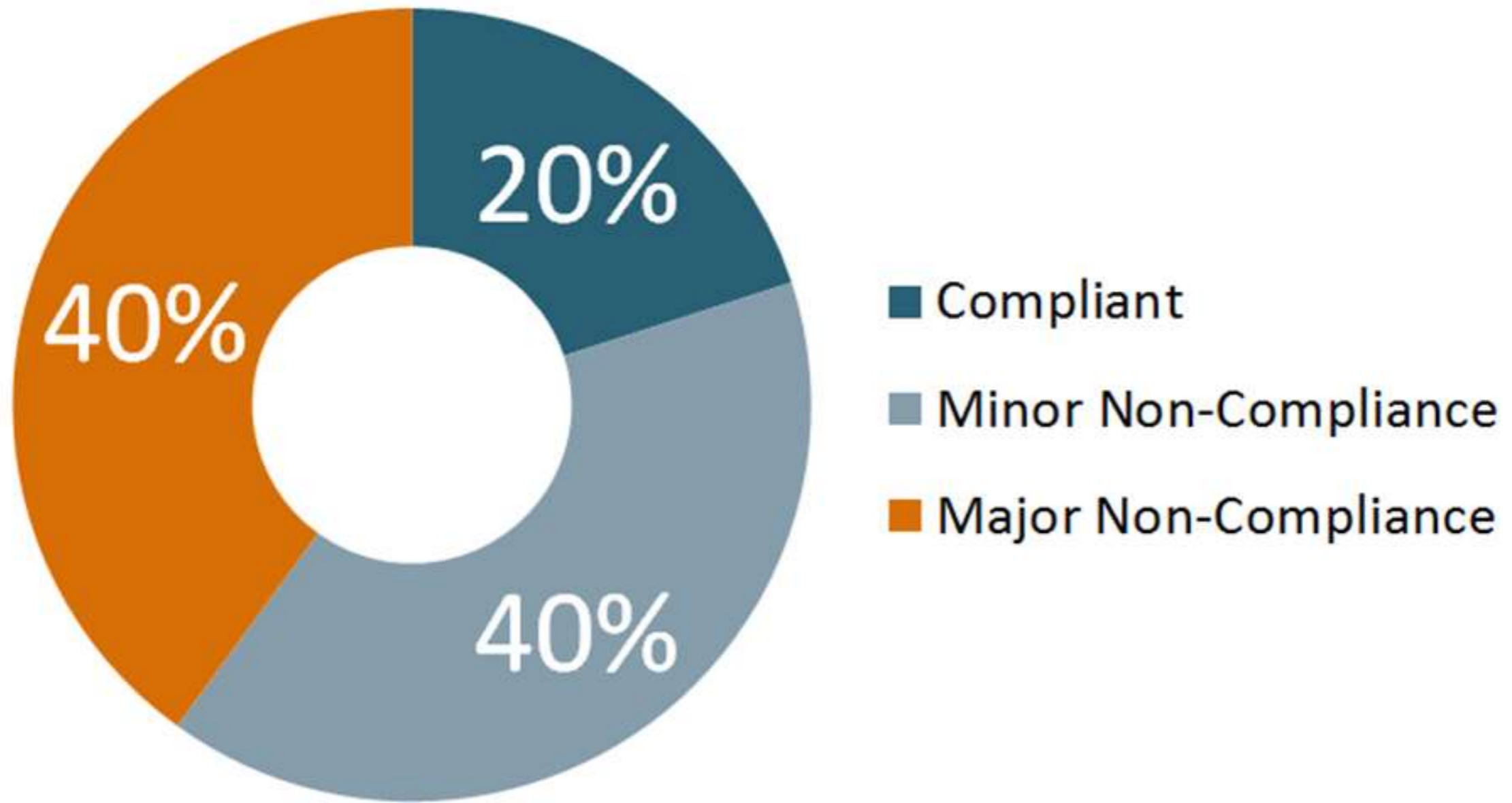
*Technical report triggers*



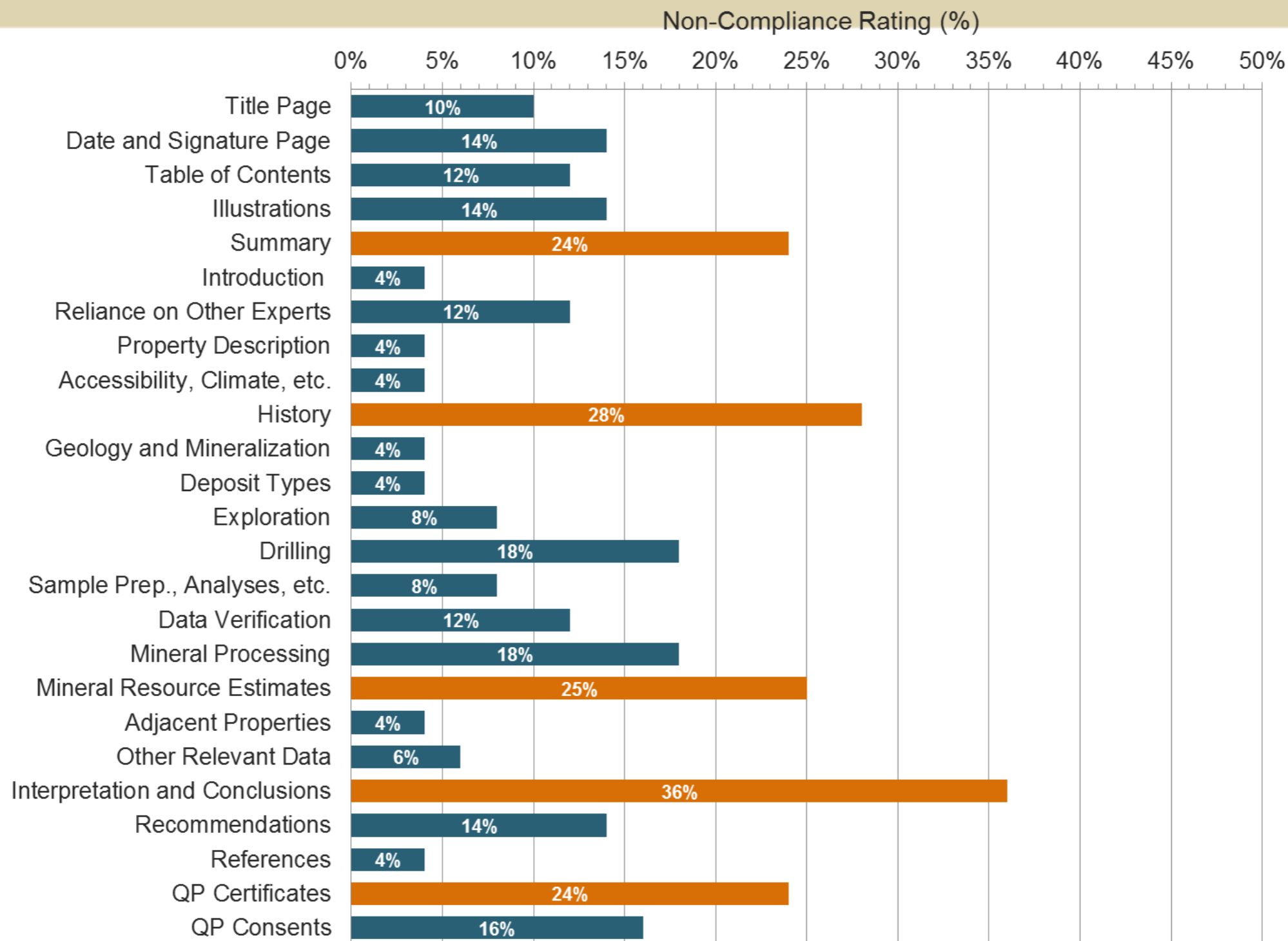
*Technical report triggers related to disclosure of mineral resources, PEA or mineral reserves*



## Overall Technical Report compliance

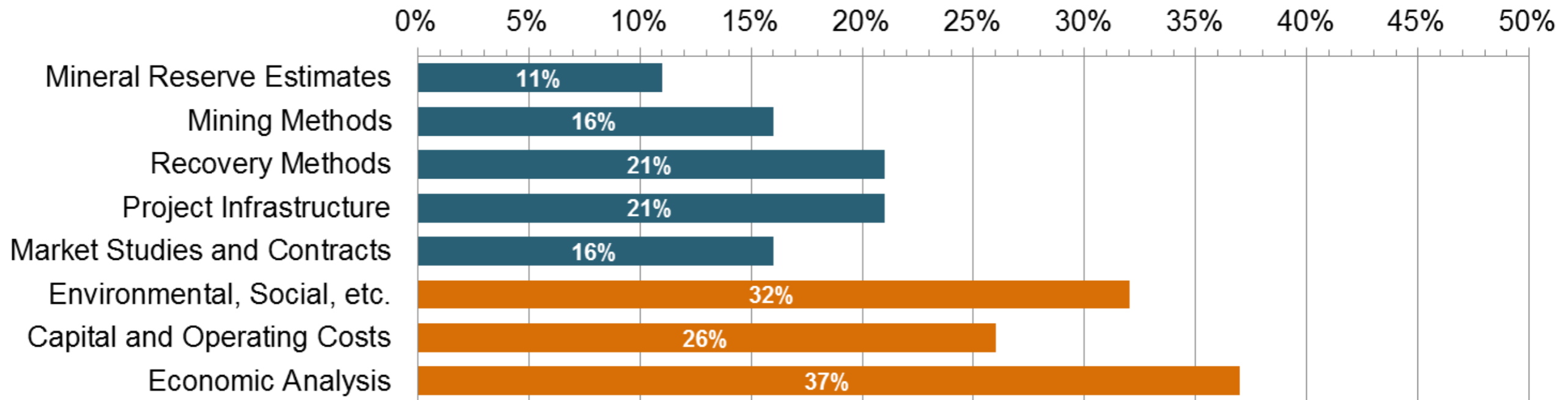


# Non-compliance rating – technical reports



# Non-compliance rating – advanced property

Non-Compliance Rating (%)



*The summary is a key part of any technical report.*

- Briefly summarize important information and “key findings” about:
  - Property and ownership.
  - Geology, deposit type and mineralization.
  - Exploration and drilling status.
  - Data verification and site visit.
  - Resource and reserve estimates.
  - Mining studies.
  - Economic analysis.
  - QP’s conclusions and recommendations.

*Look at section 5.4 of Form 51-102F2 (AIF) as a possible template*



*Remember the cautionary language every time you disclose a historical estimate.*

2.4 (g) state with equal prominence that

- (i) a qualified person has not done sufficient work to classify the historical estimate as a current resource estimate.
- (ii) the issuer is not treating the historical estimate as a current resource estimate.

*Simply saying the estimate is “not NI 43-101 compliant” is not acceptable*

## *Key assumptions, parameters, and methods.*

- (a) Provide the key assumptions, parameters, and methods to support the basis for estimating the mineral resource.

### Unanswered questions:

- How were “reasonable prospects” established?
- What cut-off grade was used to estimate the resource?
- What was the metal price, mining scenario, process recovery, etc.?

*Assumptions regarding “reasonable prospects” must be disclosed under section 3.4(c) of NI 43-101 and is material information that must be included in a technical report*



## Not clear

- What was the basis for the cut-off grade?
- What is the mining scenario - open pit or underground?



## No basis

- Was the geological model considered?
- What about the geological and grade continuity?
- What is the basis for the metallurgical recovery?



## Unreasonable

- Metal prices appear inconsistent with peers.
- Resource estimate appears unconstrained.

## *“Social license” and mine closure.*

- (d) Social requirements for the project and status of negotiations with local communities.
- (e) Mine closure requirements and reclamation costs.

### Unanswered questions:

- What about relocation of the village?
- How is the company dealing with surface rights issues?
- Is there an exploration agreement with the local First Nation?

*Social license and local “approval” is critical for moving projects forward*

# Item 20: Environmental studies, permitting & social or community impact

Environmental and permitting – summarize.

- Environmental studies completed and issues materially impacting extraction.
- Requirements for tailings disposal and water management.
- Project permit requirements and the status of permits.
- Requirements to post performance or reclamation bonds.
- Mine closure requirements and costs.

“Social license” – discuss.

- Potential social or community related requirements and plans for the project.
- Status of negotiations or agreements with local communities.

## *Components of cost estimates and their basis explained.*

- Provide a summary table of cost estimates with major components and explain and justify the basis for the cost estimates.

### Unanswered questions:

- What are the main components in the capital cost estimate?
- How was the operating cost estimate determined?
- What about the cost of the railway line?

*Provide more context to the estimated costs – not just a number*

## *Taxes and sensitivity analysis.*

- (d) summary of the taxes, royalties, and government levies.
- (e) sensitivity analysis using commodity price, grade, capital and operating costs, and the impact of the results.

### Unanswered questions:

- What are the applicable taxes and their impact on the economics?
- What are the base case assumptions?
- What about the impact of decreasing metal prices?

*Potentially misleading disclosure may include the following:*

- *Reporting only “before-tax” economic outcomes*
- *Reporting only “positive” price sensitivity analysis*

## *Risks, uncertainties and potential impacts.*

- Discuss any significant risks and uncertainties, and their potential impacts, on the project's potential economic viability or continued viability.
- Unanswered questions:
  - What about the ability to obtain water rights?
  - What about the proposed novel processing technology?
  - What about the impact of the civil war in the region?

*Consider a table showing the risks, mitigating factors and opportunities*



*Follow the requirements as set out in s. 8.1 of NI 43-101*

- Sign and date the certificate.
- Discuss your particular “relevant” experience.
- Each section of the technical report needs to have a QP taking responsibility.

*Include all the required statements - Certificates are one of the first things checked by the regulator*



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## Technical Report Reviews by TSXV Staff

- If you are listing on the TSXV, in addition to compliance with NI43-101 the stock exchange has specific requirements (“43-101 Plus”)
- For example, location and other details of your proposed drilling program
- Review listing requirements prior to submission of your technical report



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# Staff Notice on Preliminary Economic Assessment Studies

# CSA Staff Notice 43-307 on the PEA

(August 16, 2012)



Canadian Securities  
Administrators

Autorités canadiennes  
en valeurs mobilières

## CSA Staff Notice 43-307

### *Mining Technical Reports - Preliminary Economic Assessments*

- Provides PEA guidance in seven areas:
  - Misuse of a PEA as a proxy for a PFS.
  - PEAs done in conjunction with a PFS or a FS.
  - PEA disclosure and technical report triggers.
  - Potentially misleading PEA results.
  - PEA disclosure that includes by-products.
  - Relevant experience of QPs.
  - Consequences of disclosure deficiencies or errors.

# How long should a technical report be?

## General rule of thumb:

- Technical report provides summary-level detail of the material information.
- Focus on information important to the stage of development.
- Try and keep the technical report between 50 and 200 pages.
- Limit the size of appendices.
- Try to keep the file size under 10Mb, if possible.



**267 Mb** (report is only 41 pages)

May 6 2011

[Technical report \(NI 43-101\) - English](#)

PDF

267339 K



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Thank You