



Mineral Disclosure Best Practices

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Presentation Outline

Time	Topic	Page
1:30–1:35	Opening Remarks	1
1:35–1:40	Objective of the OSC SME Institute	4
1:40–1:45	Canadian Regulatory Landscape	6
1:45–2:00	NI 43-101 – Basics	11
2:00–2:30	NI 43-101 – Disclosure Pitfalls & Practical Guidance	21
2:30–2:35	<i>Break</i>	
2:35–2:55	MD&A Guidance – OSC Staff Notice 51-722	46
2:55–3:05	Technical Report – Basics	94
3:05–3:10	Technical Report Review – OSC Staff Notice 43-705	102
3:10–3:20	Website Disclosure	107
3:20–3:25	Reviews by Commission Staff	111
3:25–3:30	<i>Questions and Answers</i>	

OSC SME Institute



Objectives of the OSC SME Institute

OSC SME Institute – Objectives

Our goal is to:

- Help SMEs navigate the regulatory waters
- Demystify disclosure requirements so companies can focus on building their business
- Reduce SMEs' cost of compliance so that this money can be better spent on strategic initiatives
- Provide an opportunity for informal dialogue with OSC staff

*Disclosure requirements, including those for technical reporting,
are a cornerstone of investor confidence*

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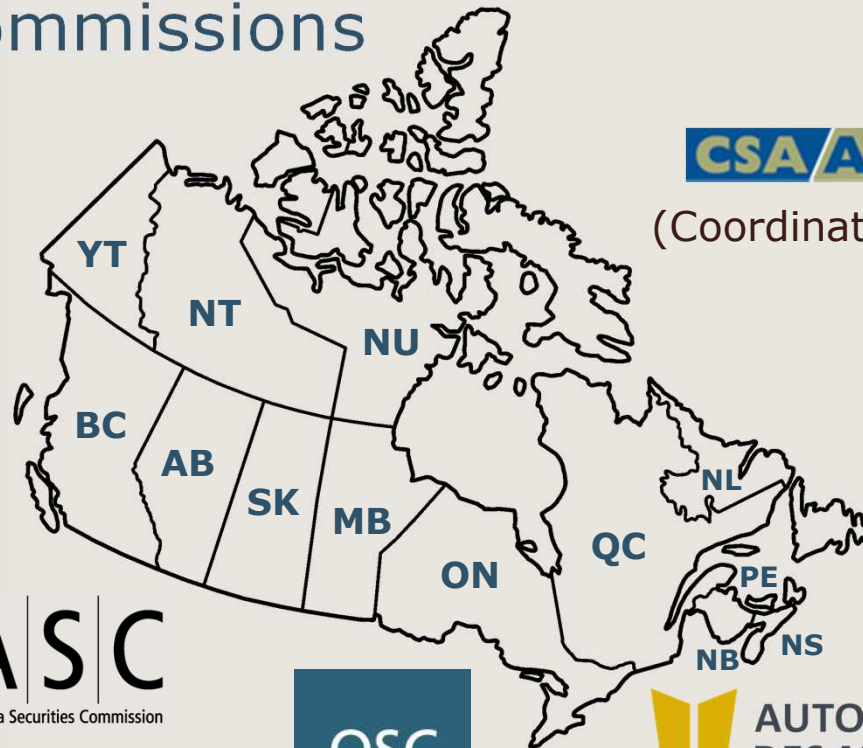
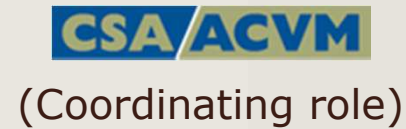


Canadian Regulatory Landscape

13 Provincial/Territorial Securities Commissions

TODAY

The "Big 4"



A company deals primarily with its "principal regulator" (usually the jurisdiction in which the company's head office is located)

Capital Markets Regulatory Authority (CMRA)

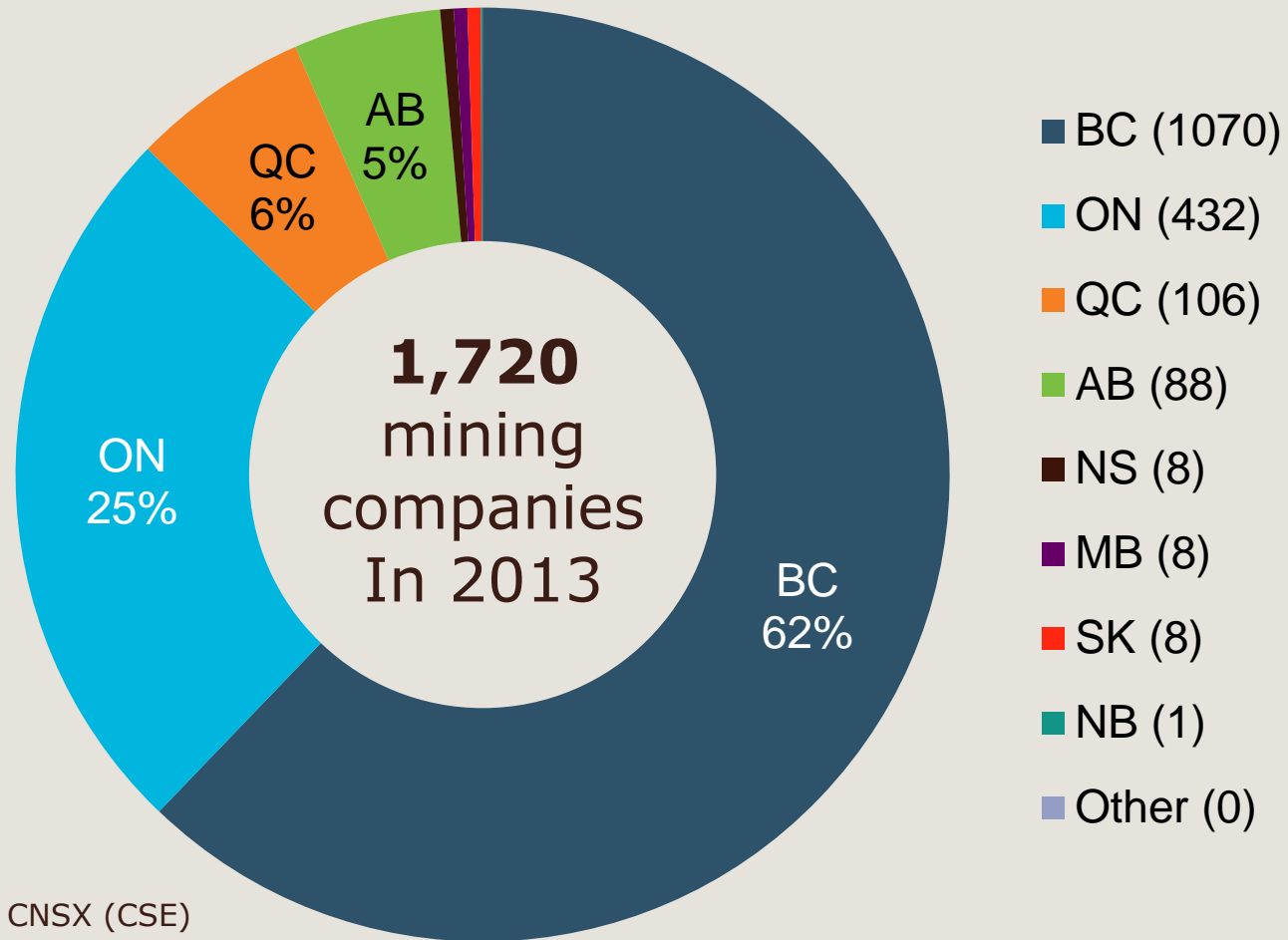
FUTURE?



Provincial Part
Provincial Capital Markets Act

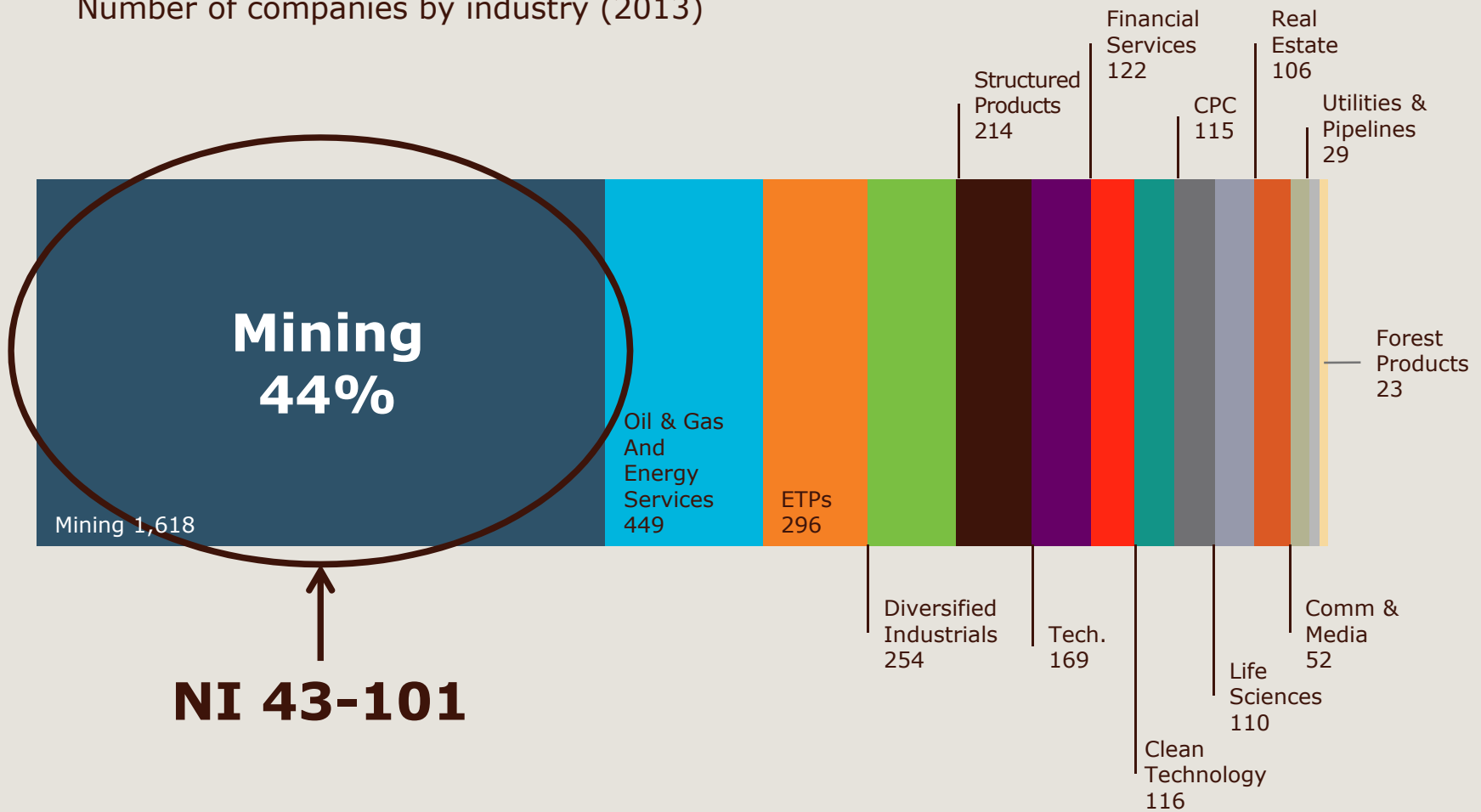
The CMRA is working towards being operational by the fall of 2015

Provincial Oversight of Mining Companies



TSX & TSX-V, Mining, and NI 43-101

Number of companies by industry (2013)



NI 43-101

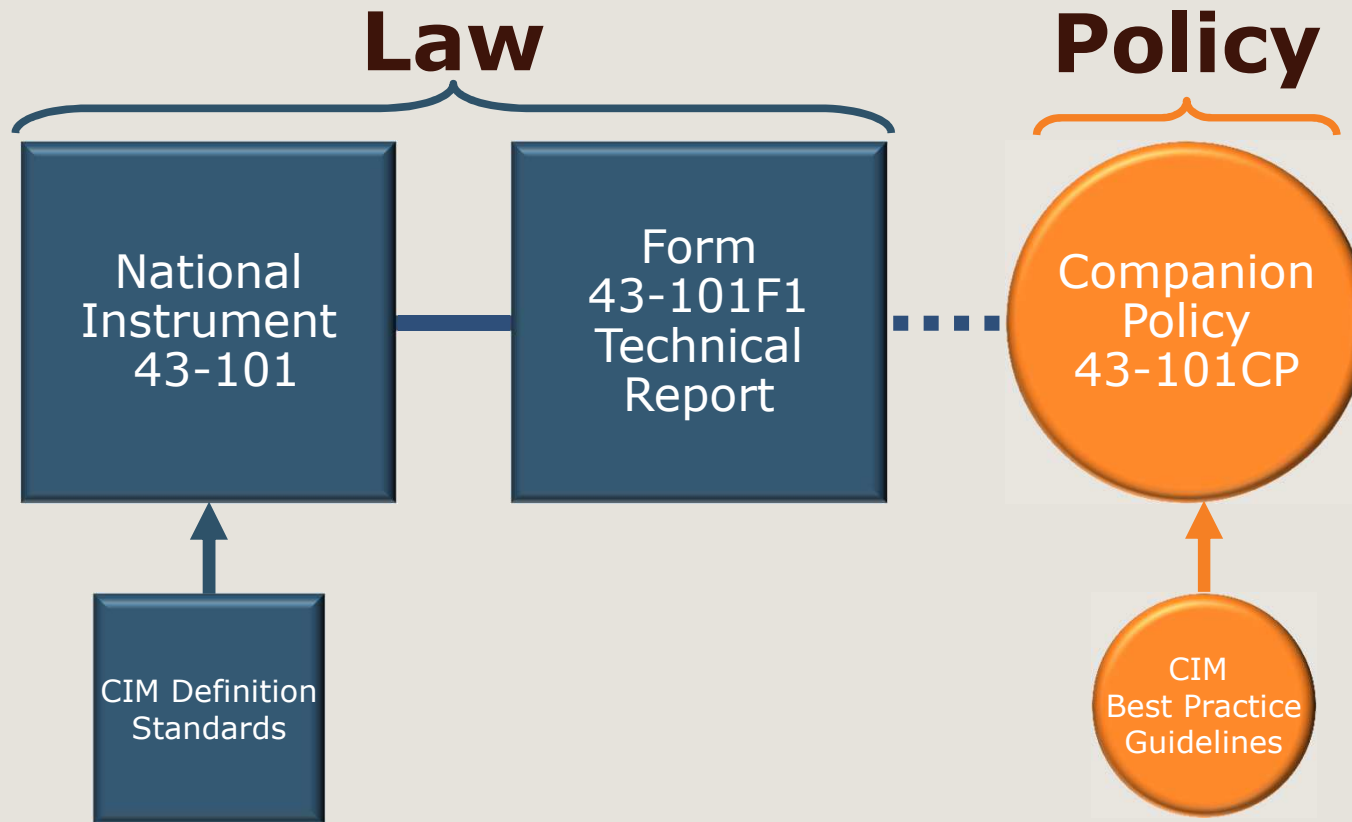
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NI 43-101

Basics

3 Parts to NI 43-101 (aka the "Mining Rule")

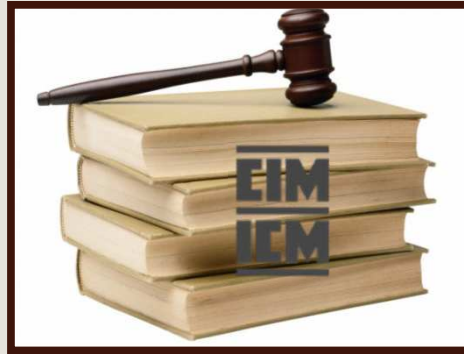


Note: Revised May 10, 2014

What Are the Core Principles of NI 43-101?



**Qualified
Person**



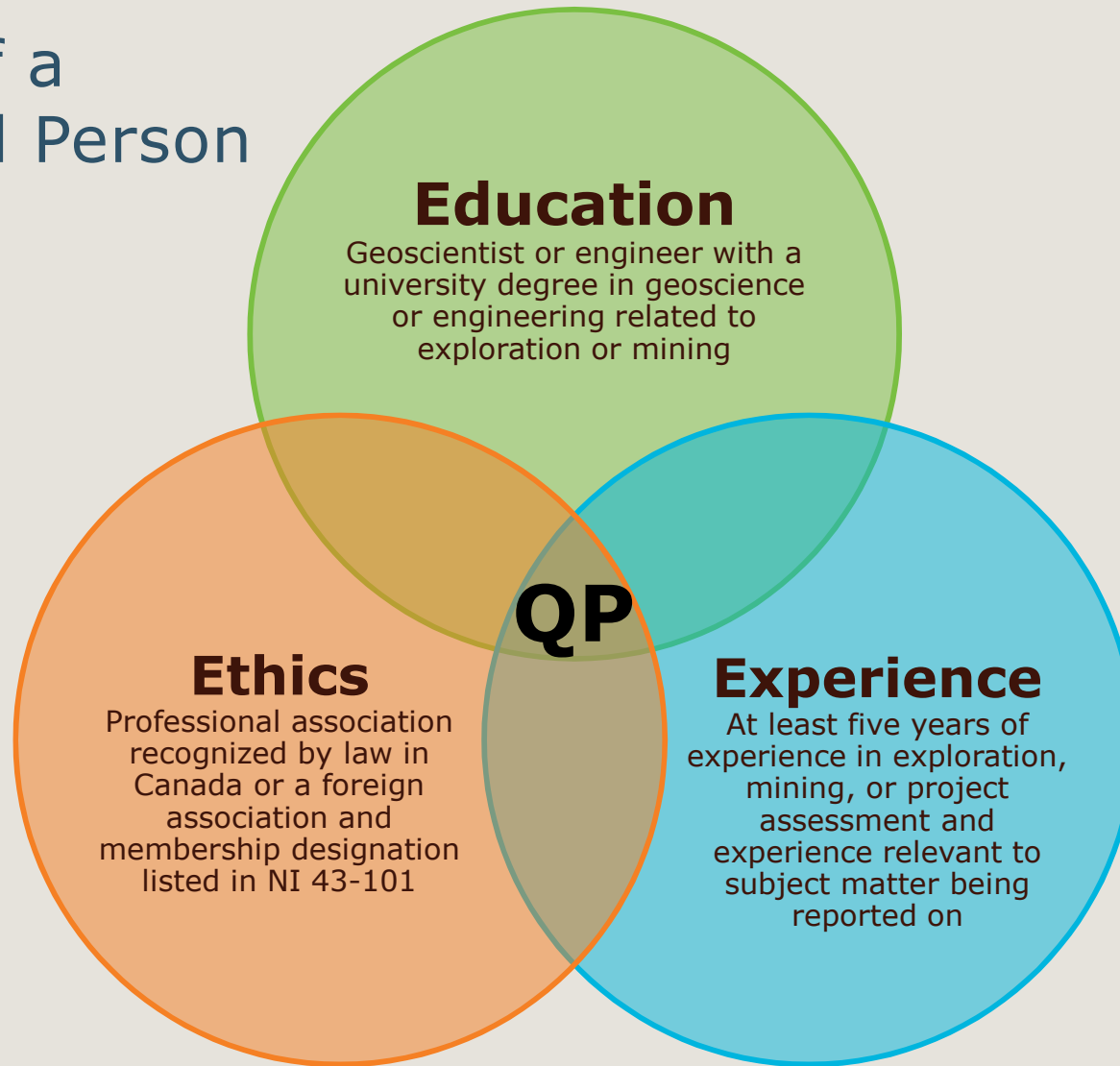
**Standards
and
Best Practices**



**Technical
Report**

Objective of NI 43-101 is to ensure that disclosure is based on reliable information, reflecting professional opinions, based on industry best practices and using standardized terms

3 "E"s of a Qualified Person



Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”)

- Definition Standards

- CIM Definition Standards for Mineral Resources and Mineral Reserves (revised May 2014)



- Guidelines and Best Practices

- CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (2003-2012)
- CIM Best Practice Guidelines for Mineral Processing (2011)
- CIM Guidelines for Reporting of Diamond Exploration Results (2003)
- CIM Exploration Best Practice Guidelines (2000)

- Coal

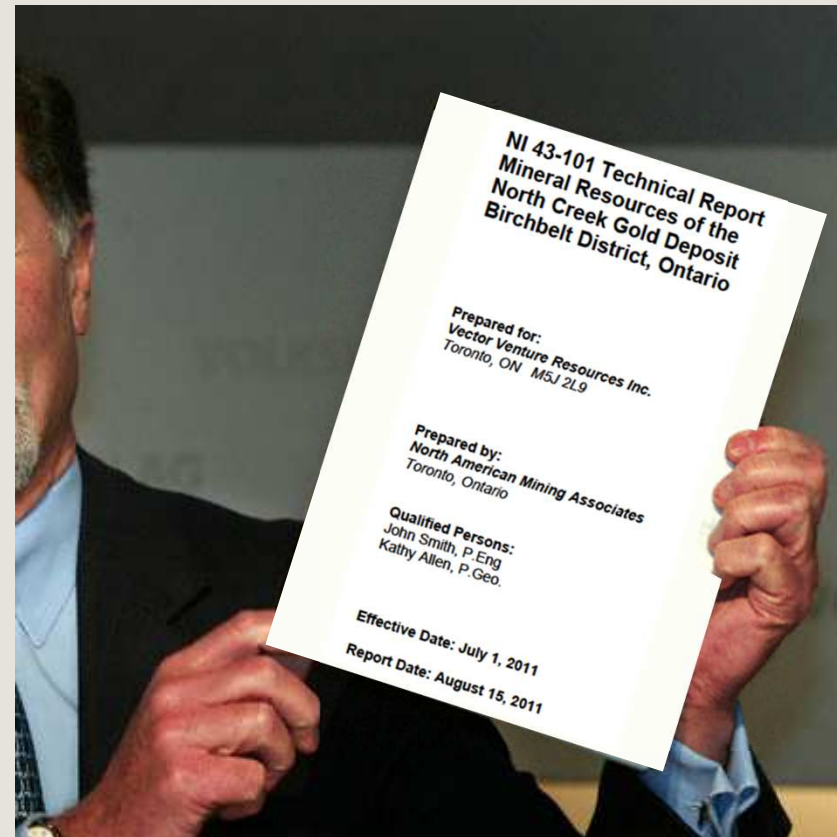
- GSC Paper 88-21: Standardized Coal Resource/Reserve Reporting System for Canada (1988)



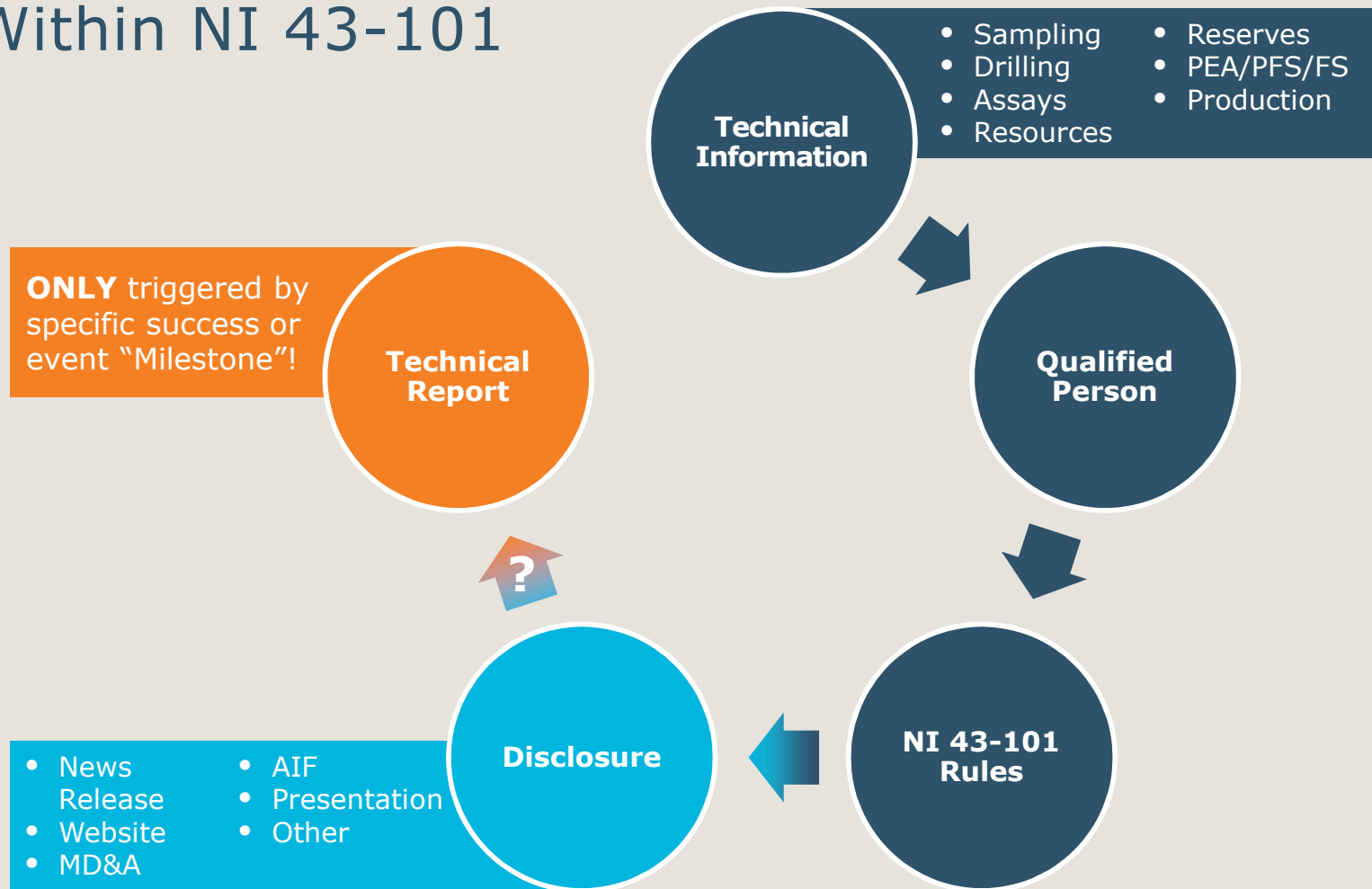
Technical Report

Supports a mining company's most important asset:

its material mineral properties and the resources and reserves they contain



Flow of Technical Information Within NI 43-101



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Misconceptions

NI 43-101: What It's Meant to Be

DISCLOSURE RULE

- Requires that companies provide technical information that is:
 - Balanced and not misleading
 - Understandable to a reasonably informed investor
 - Consistent in its use of terms and definitions
 - Based on reasonable assumptions which are clearly explained
 - In a format that allows for comparing similar projects
 - Unbiased and identifies the potential risks and uncertainties
 - Signed off by a professional (QP) who takes responsibility for the information

NI 43-101: What It's **NOT** Meant to Be

- It's not a guarantee of good work
 - It places an obligation on the company to have work done by a QP
 - The QP is supposed to do it right
- It's not a cookbook for mineral estimation
 - The rule sets disclosure standards, not estimation practices
 - It's designed so others can review and judge the QP's work
- It's not a vetting process at the regulatory agency
 - Just because a technical report is filed doesn't mean it's compliant
 - It's the company's responsibility to comply

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NI 43-101

Disclosure Pitfalls and Practical Guidance

Remember: "Written Disclosure" Captures it All

KINROSS
Kinross Gold Corporation
25 York Street, 17th Floor
Toronto, ON Canada M5J 0Y1

NEWS RELEASE

Kinross reports results of pre-feasibility study on Tasiast expansion
Company proceeding to feasibility study for 38,000 tonne per day mill

(This news release contains forward-looking information subject to the risks and assumptions set out in our Cautionary Statement on Forward-Looking Information located at the end of this release. All dollar amounts are in millions of U.S. dollars, unless otherwise noted.)

Toronto, Ontario, April 29, 2013 – Kinross Gold Corporation (TSX: K, NYSE: KGC) today announced the results of its pre-feasibility study (PFS) for its Tasiast expansion project. Based on these results, the Company has decided to proceed with a feasibility study on an expanded Tasiast operation with a 38,000 tonne per day (tpd) mill.

The PFS was based on constructing a new 30,000 tonne tpd mill at Tasiast utilizing heavy fuel oil as an energy source. It assumed a \$1,500 per ounce gold price for overall project economics and, consistent with the Company's year-end mineral reserve estimates, a \$1,200 per ounce gold price for pit design purposes. The PFS estimates are based on a pit design mineral resource estimate of approximately 10 million recovered gold ounces, which does not include additional known resources estimated using a gold price assumption above \$1,200 per ounce. In addition, the PFS estimates do not include potential district exploration upside.

The study found that during the first five years of production, a 30,000 tpd mill would be expected to have average gold production of approximately 630,000 ounces per year, with average cash costs¹ of approximately \$500 per ounce, and average all-in sustaining costs² of approximately \$735 per ounce. The expected initial capital cost would be approximately \$2.7 billion³. The PFS indicated an estimated IRR for the project of approximately 11% and an estimated NPV of approximately \$1.1 billion.

In addition, the PFS incorporated trade-off studies which considered utilizing the existing 8,000 tpd mill capacity at Tasiast in addition to a new 30,000 tpd mill. These studies concluded that a single new 38,000 tpd mill would be expected to provide the optimum economics for an expanded project. Therefore, based on these results, the Company is proceeding to a full feasibility study (FFS) on an expanded Tasiast operation with a 38,000 tpd mill. The FFS work process will begin immediately, and is now scheduled for expected completion in the first quarter of 2014. Following completion of the FFS, the Company will make a decision on whether to complete engineering and proceed with construction. The decision will depend on a range of factors, including gold price assumptions and projections, expected economic returns, and various technical and other considerations.

"Although there is considerable work to be done at the feasibility study level before we decide whether to proceed with construction, the results of the PFS are encouraging," said CEO J. Paul Robinson. "As we continue to evaluate the project, we remain firmly focused on preserving the strength of our balance sheet."

The FS will assess construction of a standard carbon-in-leach (CIL) circuit with a primary crusher and SAG mill, in addition to the existing dump leach facilities. The FS will assume an open-pit mining sequence based on developing a series of pushbacks that would allow the mine to encounter expected higher grade ore early in the mine life. A variable cut-off grade strategy is expected to be applied to bring gold production forward and stockpile lower-grade material for processing later in the mine life.

¹ Cash costs include operating costs and royalties.
² All-in sustaining cost includes operating costs, royalties, sustaining capital, and capitalized stripping, and does not include any allocation of general or corporate overhead costs.
³ Includes estimated capital expenditures from April 1, 2013 forward, and a contingency of \$200 million.

www.kinross.com

North American Palladium Ltd.

North American Palladium's vision is to become a low cost, mid tier precious metals company operating in mining jurisdictions. NADP is an established precious metals producer that has been operating in England and the Republic of Congo, Canada since 1993. It is one of only two primary producers of palladium in the world, and is currently undergoing a major expansion to increase production and reduce costs with our new NADP also operates the Taseco gold mine located in the Abitibi region of Quebec. NADP's experienced management and technical teams have a significant commitment to exploration and are dedicated to building shareholder value.

INVESTOR PRESENTATION | FACT SHEET | TSEAL ALERTS

LOU MINE EXPANSION PROGRESS | EXCITING CAREER OPPORTUNITIES

Take the mine expansion progress | Build a rewarding career with a growing company

NEWS >

February 6, 2013
North American Palladium to Host Year End 2012 Toronto Conference Call and Webcast on February 22

January 31, 2013
North American Palladium Reports Excellent Exploration Results from the Second Half of 2012 During All-Star Day

January 22, 2013
North American Palladium Appoints Stephen Financial Officer

NI 43-101 Technical Report Mineral Resources of the North Creek Gold Deposit Birchbark District, Ontario

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Qualified Persons:
John Smith, P.Eng
Kathy Allen, P.Geo.

Effective Date: July 1, 2011
Report Date: August 15, 2011

Written Disclosure

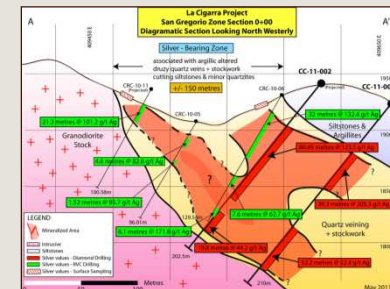
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BlueSky Resources Inc.

Corporate Presentation January, 2013



Disclosure Problems and Pitfalls

- ☹ Exploration target
- ☹ Mineral resource
- ☹ Preliminary economic assessment (PEA)
- ☹ PEA after mineral reserves – what is allowable?



Exploration Target

What is an Exploration Target?

- Statement of the exploration potential of mineralization in a defined geological setting
- Relates to mineralization with insufficient exploration to estimate a mineral resource
- Must be a basis for determining the target such as:
 - Exploration results
 - Historical estimate
 - Foreign estimate
- Further exploration should be able to test the validity of the exploration target

Disclosing an Exploration Target

s. 2.3(2)

- May disclose the potential tonnes and grade, expressed as ranges, of a target for further exploration only if the disclosure states with equal prominence:
 - Potential quantity and grade is conceptual in nature
 - Insufficient exploration to define a mineral resource
 - Uncertain if a mineral resource estimate will be delineated
 - Basis on which exploration target has been determined
- Exploration target disclosure checklist:
 - Range of tonnes & grade
 - Cautionary statement – next to the disclosed target ranges
 - Reasonable basis for target ranges

Exploration Target Pitfalls

- ✘ Reporting an unrealistic and untestable exploration target
- ✘ Extrapolating resource grades into unsampled areas
- ✘ Creating a block model with a cut-off grade, but not disclosing it as a resource estimate
- ✘ Using an exploration target as a proxy for a resource or reserve estimate (and making a production decision)
- ✘ Disclosing an economic analysis on an exploration target

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Mineral Resource

Revised CIM Definition Standards
May 2014

CIM Definition Standards

10 core definitions harmonized with CRIRSCO

1. Mineral Resource **reasonable prospects for **eventual** economic extraction**
2. Inferred Mineral Resource **majority of inferred resources **could be upgraded** to indicated resources with continued exploration**
3. Indicated Mineral Resource
4. Measured Mineral Resource
5. Modifying Factors **new term** related to converting resources to reserves
6. Mineral Reserve **reference point** for mineral reserves must be stated
7. Probable Mineral Reserve
8. Proven (Proved) Mineral Reserve
9. Pre-Feasibility Study
10. Feasibility Study

<http://web.cim.org/standards>



“Must Not Unless” About Disclosing Estimates

s. 2.2

- Must not disclose any information about a mineral resource or mineral reserve unless the disclosure
 - Uses only the five CIM categories (measured resource, proven reserve, etc.)
 - Reports each category separately
 - Does not add inferred resources to other categories
 - States the tonnes and grade for each category if the quantity of contained metal is disclosed
 - States clearly whether reserves are included in the mineral resource estimate

Disclosing Mineral Resources and Reserves

s. 3.4

- When disclosing mineral resources or reserves include:
 - Effective date of each estimate
 - Quantity and grade of each category
 - Key assumptions, parameters, and methods used
 - Any known risks that could materially affect potential development
 - Statement that “mineral resources that are not mineral reserves and do not have demonstrated economic viability” if results of an economic analysis of resources is disclosed (such as in a PEA)

Example: Reasonable Prospectus Assumptions

Assessing Reasonable Prospects for Eventual Economic Extraction

To assess reasonable prospects for eventual economic extraction, an optimized pit shell was prepared using general technical and economic assumptions listed below to constrain the estimated resource blocks.

Technical and economic parameters for assessing reasonable prospects:

<i>Gold Price</i>	<i>US\$1200/oz</i>
<i>Silver Price</i>	<i>US\$18/oz</i>
<i>Gold Recovery</i>	<i>85%</i>
<i>Silver Recovery</i>	<i>45%</i>
<i>Exchange Rate</i>	<i>US\$:C\$: 1 to 1</i>
<i>Mining Cost</i>	<i>\$1.50/tonne</i>
<i>Processing Cost</i>	<i>\$7.25/tonne</i>
<i>G&A Cost</i>	<i>\$1.05/tonne</i>
<i>Pit Slope</i>	<i>45 degrees</i>

Estimating Mineral Resources – Pitfalls

- ✘ Ignoring key geological controls
- ✘ Smearing grades into barren units
- ✘ Excluding unsampled intervals from composites
- ✘ Using unreasonable grade-capping levels
- ✘ Using inappropriate cut-off grades (metal prices)
- ✘ Not having your work peer reviewed

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Preliminary Economic Assessment (PEA)

Definition of a PEA

s. 1.1 of NI 43-101

- “preliminary economic assessment”
 - Means a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources

s. 1.1(4) of Companion Policy 43-101CP

- Term “preliminary economic assessment” can include a study commonly referred to as a scoping study
 - PEA might be based on measured, indicated, or inferred mineral resources, or a combination of any of these

Types of Technical and Economic Studies

Criteria	Technical and Economic Studies		
Study	Preliminary Economic Assessment (PEA)	Prefeasibility Study (PFS)	Feasibility Study (FS)
Concept	"What it <u>could</u> be"	"What it <u>should</u> be"	"What it <u>will</u> be"
Objective	Early stage conceptual assessment of the <u>potential economic viability</u> of mineral resources	Realistic economic and engineering studies sufficient to <u>demonstrate economic viability</u> and establish mineral reserves	Detailed study of how the mine will be built, used as the basis for a <u>production decision</u>
Cost Accuracy	+/- 50%	+/- 25%	+/- 10%
Engineering	< 1%	1-4%	5-20%
Mineral Estimate Inputs	Inferred/indicated/measured resources	Indicated and measured resources	
Mineral Estimate Outputs	Inferred/indicated/measured resources	Probable and proven reserves	

Caution: Generalized for presentation purposes

Disclosing a PEA

s. 2.3(3)

- May disclose the results of a PEA that includes inferred resources if the disclosure states with equal prominence:
 - PEA is preliminary in nature
 - Includes inferred resources that are too speculative geologically to have the economic considerations applied to them
 - No certainty that the PEA will be realized

Also:

- States the basis and assumptions for the PEA
- Describes the impact of the PEA on any pre-feasibility or feasibility study

CSA Staff Notice 43-307 on PEAs

(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

Appropriate Uses of a PEA

- ✓ Road map for planning and strategic decision making
- ✓ Assessing project risks and opportunities
- ✓ Public disclosure to raise capital and advance the project
- ✓ Preparing for a pre-feasibility study

Problems with a PEA – Pitfalls

- ✘ Underestimating the cost and complexities of the project
- ✘ Overly optimistic metal price assumptions
- ✘ Using “economy of scale” to overcome low grade deposits
- ✘ Over reliance on converting inferred to indicated resources
- ✘ Permitting process may restrict changes to mine design
- ✘ Reporting only pre-tax economic outcomes
- ✘ Making a production decision



PEA After Mineral Reserves

What is Allowable?

PEA After Reserves – What is Allowable?

1. Companies may take a **step backwards**

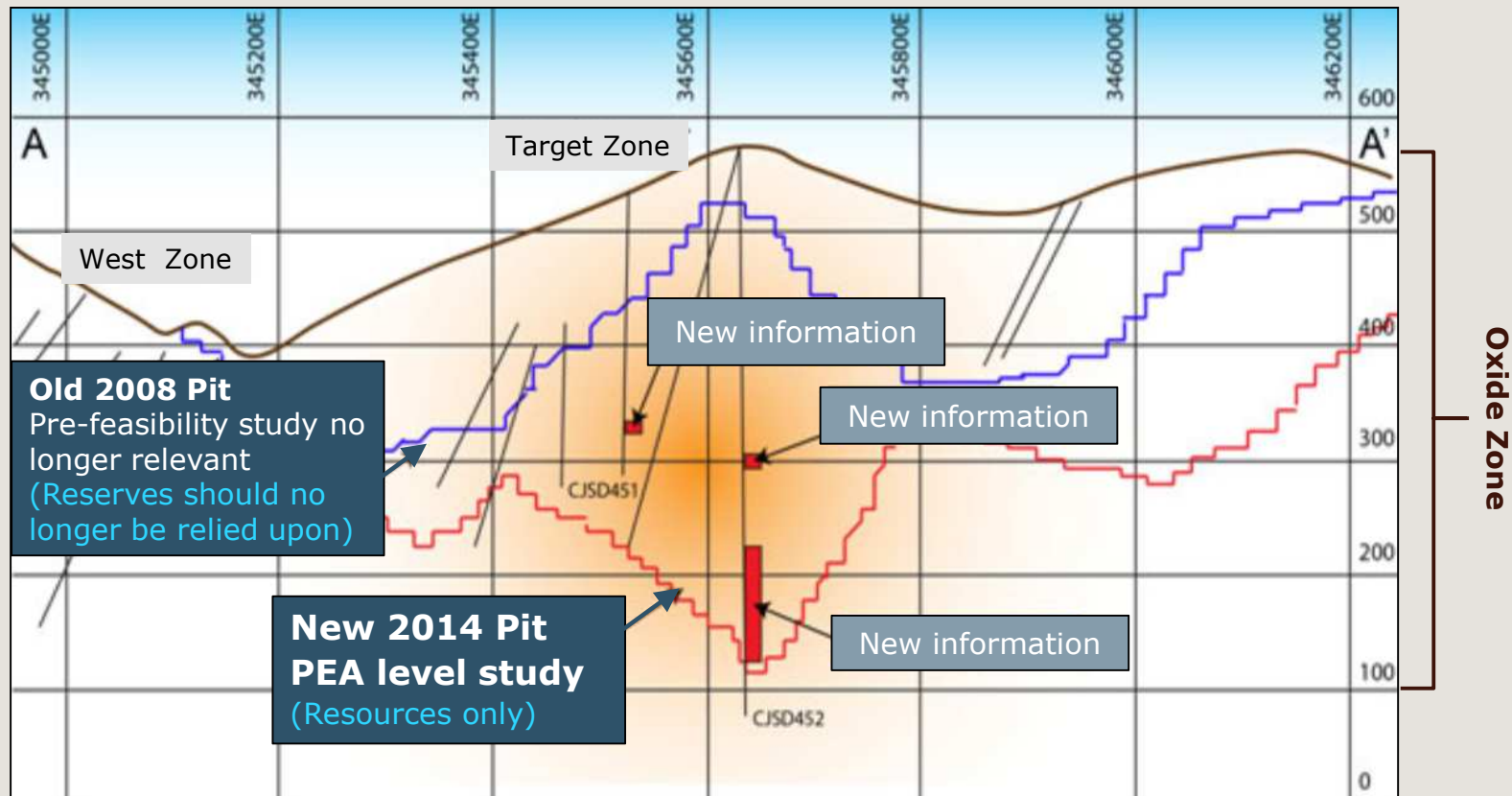
- Mineral reserves are no longer relevant – entire project moves back to a PEA stage
 - May be due to new property ownership, new information, etc.
 - All references to mineral reserves are removed from the disclosure

2. Companies may consider **re-scoping** an existing project

- Based on significant new information or a different production scenario
 - Significant new discovery or deposit type on the same property
 - Significantly different mining or processing methods
 - Changes to infrastructure requiring significant capital investment

- *Technical report includes both the existing project and the PEA information*
- *Put the PEA discussion in Item 24: Other Relevant Data and Information*

Example 1: Company Takes a Step Backwards



Note: Example only

Example 2: Company Re-Scopes Existing Project



Note: Example only

Tip: How to Improve Your Compliance

C
REGULATIONS

M
COMPANION POLICIES

L
STAFF NOTICES

A
CIM STANDARDS

C
CIM BEST PRACTICES

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MD&A Guidance

OSC Staff Notice 51-722
February 6, 2014

MD&A Background

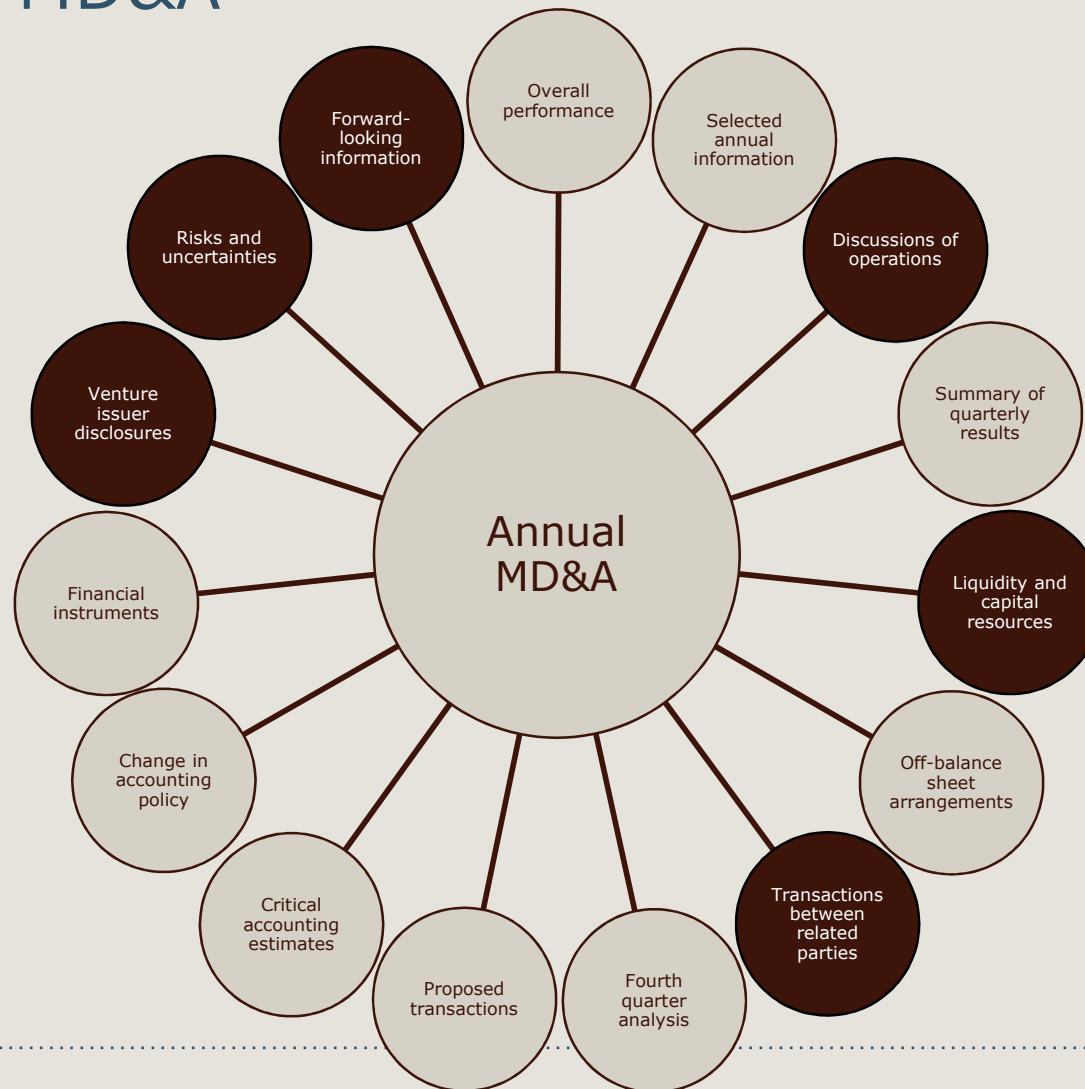
- MD&A is a narrative explanation “through the eyes of management” which:
 - Provides a balanced discussion of a company’s results, financial condition and future prospects – openly reporting bad news as well as good news
 - Helps current and prospective investors understand what the financial statements show and do not show
 - Discusses trends and risks that have affected or are reasonably likely to affect the financial statements in the future
 - Provides information about the quality and potential variability of company’s earnings and cash flow

The MD&A should complement and supplement the company’s financial statements.

General Considerations

- Focus on material information
 - Would a reasonable investor's decision whether or not to buy, sell or hold securities of the Company likely be influenced or changed if the information in question was omitted or misstated?
 - Yes, then likely material
- Explain the whys
- Ensure that financial information readily reconciles with financial statements
- Ensure that discussion reconciles with technical report, if one has been filed
- Use plain language
- Ensure technical disclosure complies with NI 43-101 and NI 51-101

Annual MD&A



Changes in Revenues and Costs

Observations

Discussion of operations is boilerplate and does not provide entity-specific disclosure about changes in revenues and cost of sales.

Why important?

Investors require meaningful discussion of operations so that they can better understand the reasons for any changes.

Provide analysis of operations by discussing why revenues and costs have changed.

Changes in Revenues and Costs – Hot Buttons

Areas	Considerations
Revenues	<ul style="list-style-type: none">• Have changes caused by the following factors been disclosed?<ul style="list-style-type: none">▪ Selling prices▪ Volume / quantity of goods and services▪ Introduction of new products or services▪ Any other factors
Costs	<ul style="list-style-type: none">• Have changes caused by the following factors been disclosed?<ul style="list-style-type: none">▪ Labour and material costs▪ Price changes▪ Inventory adjustments
Segments	<ul style="list-style-type: none">• Does the disclosure discuss performance of all reportable segments disclosed in the financial statements?

Changes in Revenues and Costs – Example of Boilerplate Disclosure

Repetition
from financial
statements

No discussion
of variances

Revenue decreased from \$11 million to \$9.5 million,
a 14% decrease.

Changes in Revenues and Costs – Example of Entity-Specific Disclosure

Discussion of
variances

Quantification
of factors

Revenue decreased from \$11 million to \$9.5 million. Although production in the year increased by 200,000 ounces this did not fully offset the decrease in the realized gold price of \$1,350 per ounce in the current year compared to \$1,605 in the prior year. The net effect was a decrease in revenues of 14%.

Projects Not Yet Generating Revenue

Observations

Discussion of significant projects that have not yet generated revenue often do not include status updates against originally projected plans.

Why important?

Investors want information on the progress of significant projects to assess management, the company's performance, as well as future prospects.

Project updates should discuss status, expenditures made, and anticipated timing and costs to reach the next phase or milestone.

Projects Not Yet Generating Revenue – Hot Buttons

Areas	Considerations
Status	<ul style="list-style-type: none">• Is there disclosure of the project's progress compared to the plan?• What is being planned next?• On a property-by-property basis:<ul style="list-style-type: none">▪ What are you looking for?▪ Where are you looking?
Expenditures	<ul style="list-style-type: none">• Have the following been disclosed?<ul style="list-style-type: none">▪ Expenditures to date.▪ Whether the company anticipates spending more than budget on each project.▪ Amounts that need to be spent to get project to next level and how will you pay for it?

Projects Not Yet Generating Revenue – Example of Boilerplate Disclosure

Lacks detail

In 2013, the Company continued its exploration efforts on the XYZ Lake property including additional drilling on the Fire Zone which continued to intersect significant zone of mineralization.

Does not
address future
spending

In 2014, the Company expects to continue its drilling efforts to outline the Fire Zone mineralization and also drill test the geophysical targets. The Company anticipates it will be in a position to disclose an initial mineral resource estimate on the XYZ Lake property in 2014.

Projects Not Yet Generating Revenue – Example of Entity-Specific Disclosure

Additional
financing

In 2013, the Company spent \$873,100 on exploration expenses on the XYZ Lake property which consisted mainly of two phases of diamond drilling on the Fire Zone (totaling 25 holes for 4,820 metres) which were completed in February, 2013 and September, 2013. This drilling continued to outline significant zones of mineralization, the results of which were reported by the Company in news releases on May 30, 2013, June 24, 2013 and November 29, 2013.

Status
compared to
plan

In early 2014, the Company expects to spend approximately \$800,000 conducting additional diamond drilling on the Fire Zone as well as follow-up drill testing of the high priority geophysical targets. It is expected that both drilling programs will consist of approximately 20 drill holes totaling about 5,000 metres.

Producing and Development Mines

Observations

Discussion of producing mines or mines under development do not clearly or adequately explain the scale and status of the project.

Why important?

Investors want information on the progress of significant projects to assess management, the company's performance, as well as future prospects. They also want info on production figures, operating costs, new developments and the impact each of these has on mineral reserves.

The MD&A form requires project updates to discuss milestones, expansion plans, productivity improvements, plans to develop a new deposit, production decisions and the basis for any such milestones.

Producing and Development Mines – Hot Buttons

On a property-by-property basis:

Areas	Considerations
Milestones	<ul style="list-style-type: none">• Have milestones been identified?• What are the results of pre-feasibility expansion plans or development of new resource zones or feasibility studies.• Have there been any exploration discoveries?• What were the mineral resource or mineral reserve losses?• What decisions have been made about production?• Are any of the milestones based on a technical report?

Producing and Development Mines – Example of Boilerplate Disclosure

Lacks detail

Impact not explained

Total ore mined in the quarter ended June 30, 2013 was 102,200 tonnes at improved gold grades compared to last quarter's figures due to improvements made at the end of 2012. These improvements reduced the cash cost per ounce to US\$1,088 in the current quarter and the Company sold its increased gold production at an average price of US\$1,404.

Producing and Development Mines – Example of Entity-Specific Disclosure

Supporting details

Reason for variance

Total ore mined in the quarter ended June 30, 2013 was 102,200 tonnes at 6.47 g/t gold. The tonnage and grade is 36% and 11% above last quarter's figures, respectively, driven by productivity improvements at the mine and at the mill. The increased mining rate is attributable to a larger mechanized mining fleet suitably fitted to the mining method and improved underground infrastructure. The mill attained an average daily production rate of 920 tonnes at 94% gold recovery with improved performance attributable to the mill expansion completed at the end of 2012 with installation of a ball mill with twice the previous capacity. These improvements contributed to a significant year-over-year reduction in all-in sustaining cost per ounce of US\$1,088 in the current quarter from US\$1,242 last year. The Main Gold Mine sold a total of 14,686 ounces of gold at an average price of US\$1,404 in the quarter compared to gold sales of 12,109 ounces at an average price of US\$1,612 in the comparable period last year.

Variations in the Use of Proceeds

Observations

Funds raised by way of a prospectus are often for specific projects or stages of specific projects. Companies do not always adequately explain how proceeds raised in public offerings were subsequently used and the impact of any changes from their originally intended use.

Why important?

Investors should be made aware of how their investment is being spent. Updating the use of proceeds in the MD&A will allow investors to assess how management has ultimately spent the funds.

Companies are required to compare, in tabular form, the changes in the use of proceeds and to explain the impact of the changes on the company's ability to achieve its business objectives and milestones.

Variations in the Use of Proceeds – Hot Buttons

Areas	Considerations
Variations	<ul style="list-style-type: none">• How does the nature and amount of expenditures made by the company compare to the use of proceeds from previous financing?• How do variations impact future operations?• How will the variance affect the company's ability to achieve its business objectives and milestones?• Will the company require additional financing to meet its next milestone?
Disclosure	<ul style="list-style-type: none">• Have the above items been disclosed?• Does the disclosure comply with MD&A requirements?

Liquidity and Capital Resources

Observations

A meaningful analysis of the company's ability to generate sufficient cash, address its working capital requirements and its ability to access financing to meet its committed expenditures is not always provided.

Why important?

Investors need to clearly understand any anticipated funding shortfalls and financing resources available to meet spending commitments and continue key projects.

Companies should explain their current liquidity position and how they will fund upcoming operating commitments and other obligations.

Liquidity and Capital Resources – Hot Buttons

Areas	Considerations
Ability to generate sufficient cash	<ul style="list-style-type: none">• Is there an analysis of the company's ability to generate sufficient cash in the short term and the long term to:<ul style="list-style-type: none">▪ meet funding needs?▪ meet planned growth?▪ fund development activities?
Working capital requirements	<ul style="list-style-type: none">• Are the company's working capital requirements disclosed?• If a working capital deficiency exists, or is expected, is there a discussion on the company's:<ul style="list-style-type: none">• ability to meet obligations as they become due?• plans, if any, to remedy the deficiency?

Liquidity and Capital Resources – Hot Buttons

Areas	Considerations
Spending requirements	<ul style="list-style-type: none">• Is an analysis provided on commitments for:<ul style="list-style-type: none">▪ capital expenditures?▪ any expenditures required to continue key projects?• Has the nature, amount and purpose of commitments, and expected source of funds to meet these commitments been disclosed?
Sources of financing	<ul style="list-style-type: none">• Is there a discussion on how difficulties in obtaining financing could affect:<ul style="list-style-type: none">▪ status of projects?▪ ability to continue as a going concern?• Have the expected sources of financing that are being pursued been identified?

Debt Covenants – Example of Boilerplate Disclosure

General
and not
specific

The Company's credit facility contains certain covenants that it must comply with; otherwise, the amounts outstanding are payable on demand. As at December 31, 2013 the Company violated such covenants.

Debt Covenants – Example of Entity-Specific Disclosure

Covenants
and
restrictions

Breach

Remediation
plan

The Company's share capital is not subject to any external restrictions; however its credit facility is subject to periodic reviews. The credit facility also contains a financial covenant that requires the Company to maintain a working capital ratio of at least 1:1. As at December 31, 2013, this ratio was 0.5:1. The bank waived the breach prior to the year ended December 31, 2013 and has allowed the Company six months to remedy the deficiency. The Company intends to acquire additional financing through private placements to fund current working capital needs and remedy the deficiency.

Risks and Uncertainties

Observations

Disclosure of risks and uncertainties is often boilerplate in nature and the potential impact of how the risks may affect the company is clearly disclosed.

Why important?

Investors need to understand the entity specific risks and how those risks may impact the company and its business, both of which may affect an investment decision or the value of their investment should the risks be realized.

Throughout each section of the MD&A, companies should disclose risks and uncertainties that are material and entity-specific.

Risks and Uncertainties – Hot Buttons

Areas	Considerations
Enterprise risk management	<ul style="list-style-type: none"> • Has information been sought from industry associations and competitors to remain abreast of emerging risks? • Has the Board been informed of the risks that are not being actively managed and those that are being actively managed?
Disclosure	<ul style="list-style-type: none"> • Have all risks material to the company been disclosed? <ul style="list-style-type: none"> ▪ Is there disclosure on how the risk may impact the company? ▪ Has the risk disclosure been updated to reflect changes in current and expected conditions? <p><i>Note: Do not provide a 'laundry list' of every conceivable risk</i></p>

To provide meaningful information, companies should disclose the strategies used to manage its risks.

Foreign Operational Risk – Example of Boilerplate Disclosure

General and
not specific

Potential
impact is not
disclosed

The Company's operations are located in Foreign Country X. The company is subject to the political risks and economic considerations of operating in Foreign Country X.

Foreign Operational Risk – Example of Entity-Specific Disclosure

Entry-
specific

Potential
impact

The Company's principal property is located in Region Y of Foreign Country X. Consequently, the Company is subject to certain risks associated with foreign ownership, including currency, inflation, political and property title risk. On January 13, 2013, a coup was initiated by members of the Region Y army, creating uncertainty within the area where the company operates. Currently, operations are continuing but travel and access to the property may be curtailed due to political instability or risks to personnel which may result in project delays. The Company is closely monitoring the situation and management will continue to provide updates.

Venture Issuer Disclosures – 51-102 – section 5.3

- A venture issuer that has not had significant revenue from operations in either of its last two financial years, must disclose in its MD&A, a breakdown of material components of:
 - Exploration and evaluation assets or expenditures;
 - Expensed research and development costs;
 - Intangible assets arising from development;
 - General and administration expenses; and
 - Any other material costs, whether expensed or recognized as assets.
- If the venture issuer's business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

Venture Issuer Disclosures

Observations

Venture issuers that have not had significant revenue from operations do not always provide a breakdown of material costs and expenditures.

Why important?

A breakdown of costs helps investors understand the nature of the work performed and how money is being spent. A presentation of exploration and evaluation assets or expenditures on a property-by-property basis helps investors evaluate the impact of those expenditures in forwarding the exploration or development of those properties.

Venture issuers without significant revenue should provide more granular disclosures of their costs.

Venture Issuer Disclosures – Hot Buttons

Areas	Considerations
Expenditures	<ul style="list-style-type: none"> • Is there a breakdown of material components of: <ul style="list-style-type: none"> • exploration and evaluation assets or expenditures? • general and administration expenses? • other material costs? • Has the breakdown been provided for each of the last two financial years? <p><i>Note: Considered material component of cost if exceeds greater of 20% of total amount of class or \$25,000</i></p>
Disclosure	<ul style="list-style-type: none"> • Have exploration and evaluation assets or expenditures been presented on a property-by-property basis? • Is there a qualitative discussion of the expenditures?

Venture Issuer Disclosures – Example of Boilerplate Disclosure

- The following is a detailed list of expenditures incurred on the company's A and B mineral properties:

Lacks detail

	Property A		Property B	
	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
	\$	\$	\$	\$
Opening balance	5,100	3,300	1,300	1,100
Additions	800	1,800	410	200
Impairments	-	-	-	-
Closing balance	5,900	5,100	1,710	1,300

Venture Issuer Disclosures – Example of Entity-Specific Disclosure

- The following is a detailed list of expenditures incurred on the company's A and B mineral properties:

Detail on a property-by-property basis

	Property A		Property B	
	Dec 31	Dec 31	Dec 31	Dec 31
	2014	2013	2014	2013
	\$	\$	\$	\$
Opening balance	5,100	3,300	1300	1,100
Acquisitions	400	-	105	
Assays/geochemistry	200	150	135	200
Camp costs	100	90	100	
Geology/geophysics		60		
Drilling		1,300		
Salaries/labour	100	200	70	
Closing balance	5,900	5,100	1,710	1,300

Transactions Between Related Parties

Observations

In some instances, transactions with related parties are not identified as related party transactions (RPTs). In other instances, the identities of related parties and the business purpose and economic substance of RPTs are not disclosed and explained.

Why important?

Comprehensive disclosure is essential for investors to understand and evaluate RPTs. They must be aware of RPTs and the identity of the related parties involved, and understand the business purpose and economic substance of each transaction.

Companies must clearly disclose and discuss ALL related party transactions, including the identities of the parties and their relationship to the company, as well as the business purpose and economic substance of each transaction.

Transactions Between Related Parties – Hot Buttons

Areas	Considerations
Disclosure of all RPTs	<ul style="list-style-type: none">• Are all transactions between related parties disclosed and discussed?
Identity and relationship of related party	<ul style="list-style-type: none">• Is there disclosure of:<ul style="list-style-type: none">▪ The name of the related party (not only the related party's position or relationship with the company)?▪ The name of ultimate beneficiaries of the related party transaction, where the transaction is conducted through a corporate entity?▪ The relationship between the company and the related party?

Transactions Between Related Parties – Hot Buttons (cont'd)

Areas	Considerations
Business purpose and economic substance of transaction	<ul style="list-style-type: none">• Are the reasons for entering into the RPTs disclosed and explained?<ul style="list-style-type: none">▪ Are the economic benefits to the company from each RPT disclosed and explained?▪ Is there disclosure of the consideration that was paid?▪ Is there an explanation as to why the company acquired assets or services from a related party as opposed to an arm's length party?▪ Is the discussion quantified where possible? <p><i>Note: Avoid generic descriptions such as "consulting" or "for services performed"</i></p>

Transactions Between Related Parties – Hot Buttons (cont'd)

Areas	Considerations
Recorded amount of transaction and measurement basis used	<ul style="list-style-type: none">• Is the recorded amount of the transaction and the measurement basis used disclosed?
Ongoing or contractual or other commitments	<ul style="list-style-type: none">• Is there disclosure and discussion of ongoing contractual or other commitments arising out of RPTs?
Processes and procedures for identifying, evaluating and approving RPTs	<ul style="list-style-type: none">• Is there a description of management and the board's processes and procedures for identifying, evaluating and approving RPTs?

Transactions Between Related Parties – Example of Boilerplate Disclosure

Lacks detail

During the year, the company paid \$300,000 for services to a firm in which a director is a partner.

Transactions Between Related Parties – Example of Entity-Specific Disclosure

Relationship/
identity

Business
purpose
and amount

Measurement
basis used

During the year, the Company paid professional fees of \$148,541 to Best Miner LLP a law firm of which Joe Prospector, a director of the Board, is a partner. These services were incurred in the normal course of operations for general corporate matters, attendance at committee and board meetings, as well as evaluating business opportunities. All services were made on terms equivalent to those that prevail with arm's length transactions.

Forward-Looking Information



OSC Staff Notice 51-721: Forward-Looking Information Disclosure - June 13, 2013

What is Forward-Looking Information (FLI)?

Forward-Looking Information

Disclosure regarding:

- possible events
- possible financial performance

Based on:

- future economic conditions
- future courses of action
- Includes non-financial information such as:
 - Key performance indicators
 - FOFI
 - financial outlook
 - targeted efficiencies
 - metal price assumptions
 - projected production levels

FOFI

Forward-looking financial information presented in the format of historical financial statements.

Financial Outlook

Forward-looking financial information **NOT** presented in the format of historical financial statements.

Examples include:

- projected EBITDA
- projected earnings per share (EPS)
- revenue targets
- operating ratios
- R&D spending
- projected operating costs

Forward-Looking Information

Observations

Companies that choose to disclose FLI often fail to label it as such. They generally provide non-specific disclosure instead of disclosing specific factors and assumptions supporting FLI. Companies also often do not update previously disclosed FLI when events and circumstances are reasonably likely to cause actual results to differ materially from previously disclosed material FLI.

Why Important

Investors want transparent and clear disclosure about present and future corporate operations and performance. When prepared properly, FLI can be used to enhance transparency and provide opportunities to increase the investor's understanding of a reporting issuer's business and future prospects.

FLI should provide valuable insight about the reporting issuer's business and how that reporting issuer intends to attain its corporate objectives and targets.

Forward-Looking Information – Hot Buttons

Areas	Considerations
General	<ul style="list-style-type: none">• Is FLI identified?• Is there a reasonable basis for the disclosed FLI?• Are assumptions supporting financial outlook and FOFI reasonable and entity-specific?• Is the FLI presented for a reasonable period?
Disclosure	<ul style="list-style-type: none">• Are the assumptions used to develop FLI disclosed?• Have users been cautioned that actual results may vary from FLI?• Have the risk factors that could cause actual results to vary been identified?

Forward-Looking Information – Hot Buttons (cont'd)

Areas	Considerations
Disclosure	<ul style="list-style-type: none">• Has previously disclosed FLI been updated if actual results differ materially?• Have material differences between actual results and previously disclosed financial outlook and FOFI been disclosed?

Updating FLI

Example of Boilerplate Disclosure

No events or
circumstances
discussed

Gold production target for 2014 has been increased to 70,000 to 80,000 gold ounces.

Updating FLI

Example of Entity-Specific Disclosure

Updated FLI

Events and
circumstances
discussed

Updated
assumptions

Gold production was originally anticipated to be the range of 40,000 to 50,000 gold ounces for 2014. Given the recent developments in Q2, the target for 2014 has increased to 70,000 to 80,000 gold ounces. The expansion and development of ABC mine was completed at the end of Q2 and will be contributing to the increased production. It is expected that weekly production will be increased by approximately 1,400 ounces. The Company is in the process of hiring additional engineering staff to support the increased production. If we are unable to hire qualified personnel, the target may only increase to 60,000 to 70,000 gold ounces.



Appendix A – Key References

Appendix A – Key References

Topic	Reference
<u>Management’s Discussion and Analysis</u>	
Variance in the use of proceeds	Item 1.4 (i) of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i>
Discussion of operations	Item 1.4 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i>
Liquidity and capital resources	Items 1.6 and 1.7 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i>
Risk and uncertainties	Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i> <ul style="list-style-type: none"> • Part 1 (a) General Provisions • Item 1.2 Overall Performance • Item 1.4 Results of Operations • Item 1.6 Liquidity • Item 1.14 Financial Instruments and Other Instruments
Transactions between related parties	Item 1.9 of Form 51-102F1 of NI 51-102 <i>Continuous Disclosure Obligations</i>
Venture issuers disclosures	Subsection 5.3 of NI 51-102 <i>Continuous Disclosure Obligations</i>

Appendix A – Key References (cont'd)

Topic	Reference
<u>Other Key Obligations</u>	
Forward Looking Financial Information	CSA Staff Notice 51-721 <i>Forward Looking Information Disclosure</i>
Non-GAAP Financial Measures	CSA Staff Notice 52-306 (Revised) – <i>Non-GAAP Financial Measures and Additional GAAP Measures and CSA Staff Notice</i> OSC Staff Notice 52-722 <i>Report on Staff’s Review of Non-GAAP Financial Measures and Additional GAAP Measures</i>
Mining MD&A	OSC Staff Notice 51-722 <i>Report on a Review of Mining Issuers’ Management Discussion and Analysis and Guidance</i>
Emerging Markets	OSC Staff Notice 51-720 <i>Issuer Guide for Companies Operating in Emerging Markets</i>
Technical Reports by Ontario Mining Issuers	OSC Staff Notice 43-705 <i>Report on Staff’s Review of Technical Reports by Ontario Mining Issuers</i>
Latest Developments	CSA Staff Notice 51-341, <i>Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2014.</i>

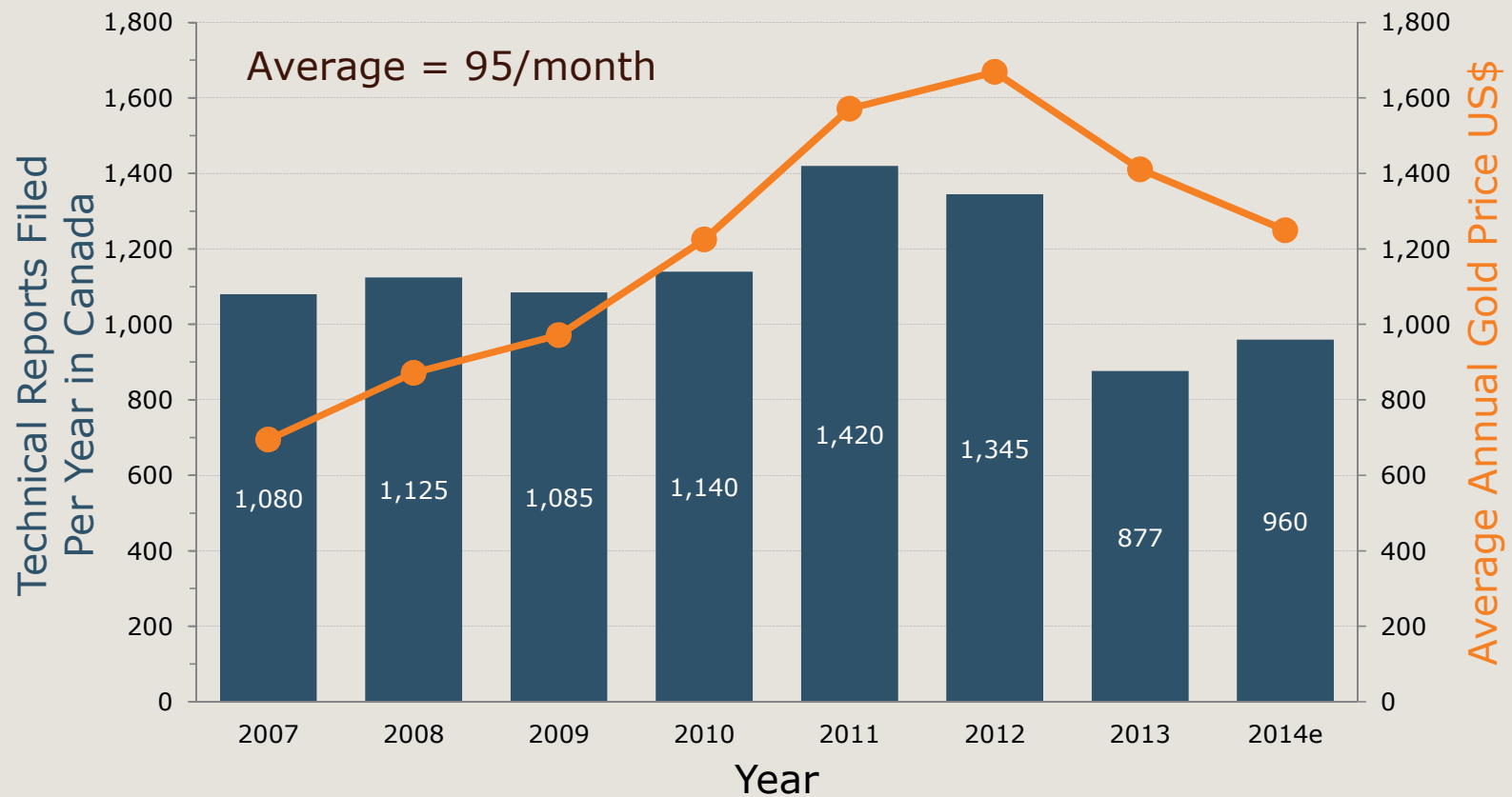
OSC SME Institute



Technical Report

Basics

Technical Reports Files Per Year (2007-2014e)



5 “W”s (and 1 “H”) of Technical Reports

WHO	Prepared by QPs, often independent of the company and property
WHAT	Current summary of material technical information on a material property
WHERE	Triggered by milestone events and filed within a specific timeframe
WHEN	Filed publically on SEDAR
WHY	Supports a company’s technical disclosure and assists investor’s decisions
HOW	Must follow prescribed Form 43-101F1 and requirements of NI 43-101

"Milestone" Trigger Technical Reports

Property Milestones

- 1st time disclosure of:
 - Mineral resources
 - Preliminary economic assessment
 - Mineral reserves
- Material change to any of the above

"Success or revision driven triggers"

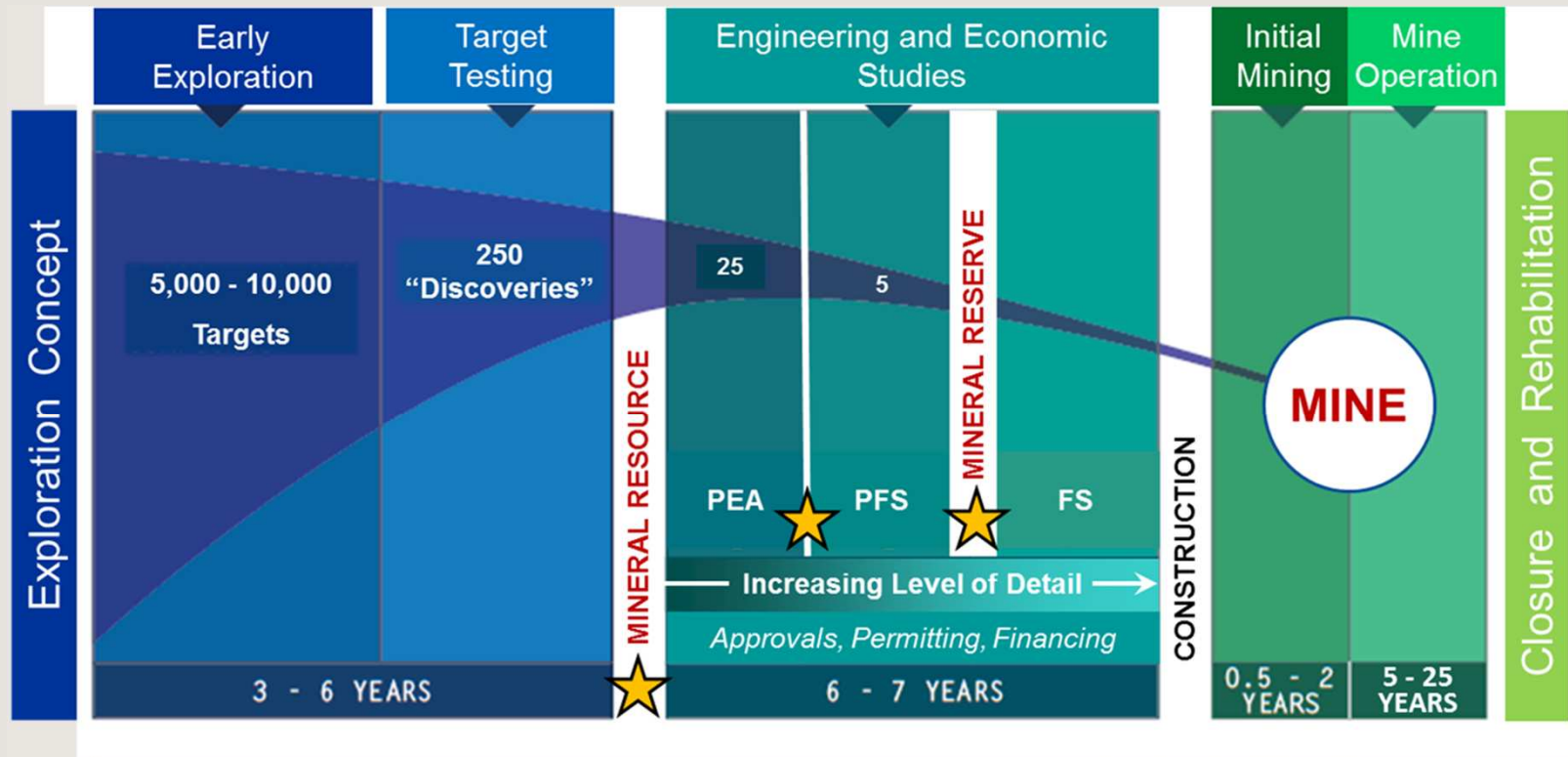
Company Milestones

- 1st time reporting in Canada
- Filing of any of the following*:
 - Preliminary (long form) prospectus
 - Preliminary short form prospectus
 - (1st time or material change to MR/PEA/MR)
 - Information or proxy circular
 - Offering memorandum
 - Rights offering circular
 - Annual information form
 - Valuation
 - TSX Venture offering document
 - Take-over bid circular

* (where the material technical information is **not** already supported by a filed technical report)

"Event driven triggers"

Exploration Process and "Success or Revision Triggers"



★ Technical report "success or revision" trigger

Graphic after "Drug Discovery and Development Process" - Innovation.org

Independent Technical Reports

s. 5.3

- **ALL** QPs must be independent if:
 - First-time reporting issuer in Canada
 - Preliminary long form prospectus
 - 1st time disclosure of a mineral resource, mineral reserve, or PEA
 - >100% change to an existing mineral resource or mineral reserve
- Exemption from independence for “producing issuers”
 - Gross revenue > \$30 million in recent fiscal year; and
 - Gross revenue > \$90 million in last three fiscal years



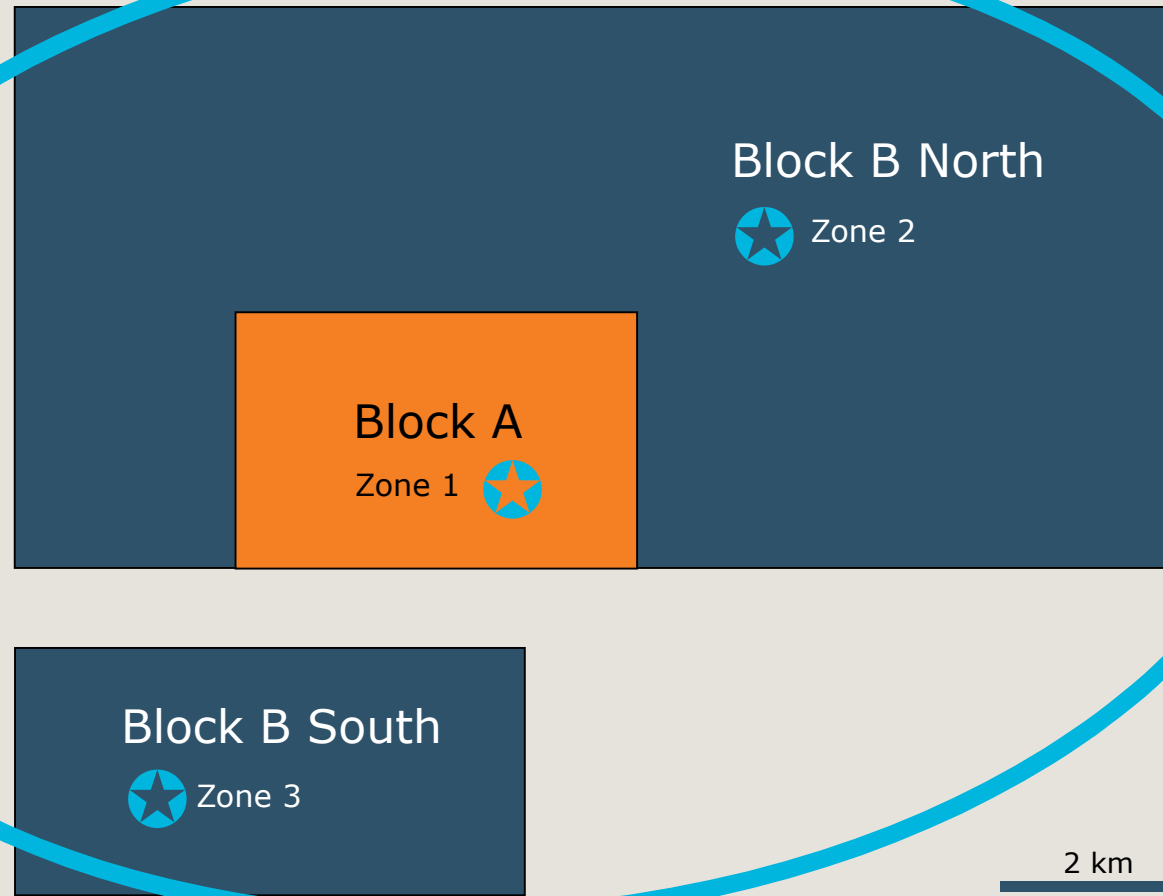
Mineral Property with Multiple Deposits

Can a company file separate technical reports for different deposits on the same mineral property?

- **No** (generally)
- Companion Policy says:
 - 1.1(6) - a property includes claims that are contiguous or in close proximity that any underlying deposits would likely be developed using common infrastructure
 - 4.2(8) - a technical report when filed must be complete and current and there should only be one current technical report on a property at any point in time

Single Technical Report

Technical Report



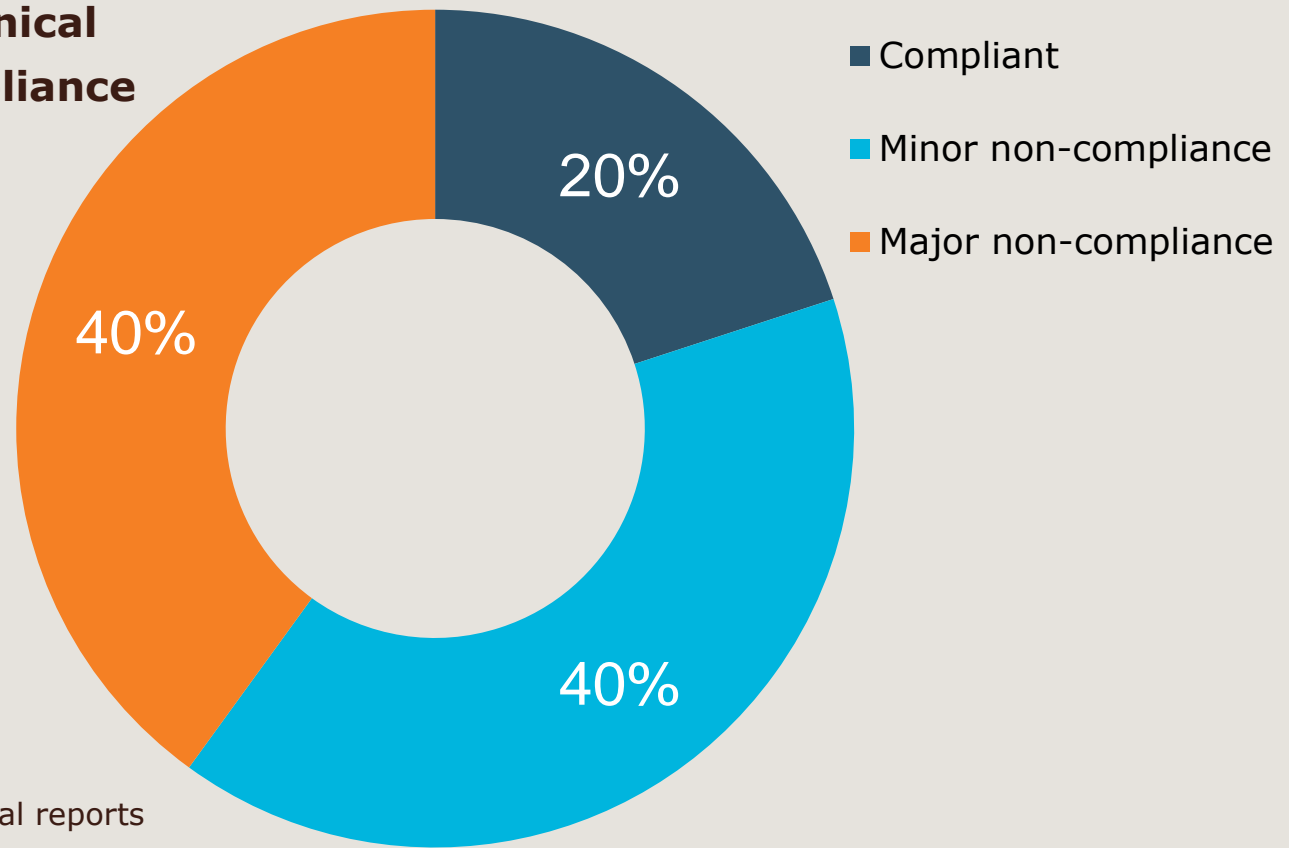


Review of Technical Reports

OSC Staff Notice 43-705
June 27, 2013

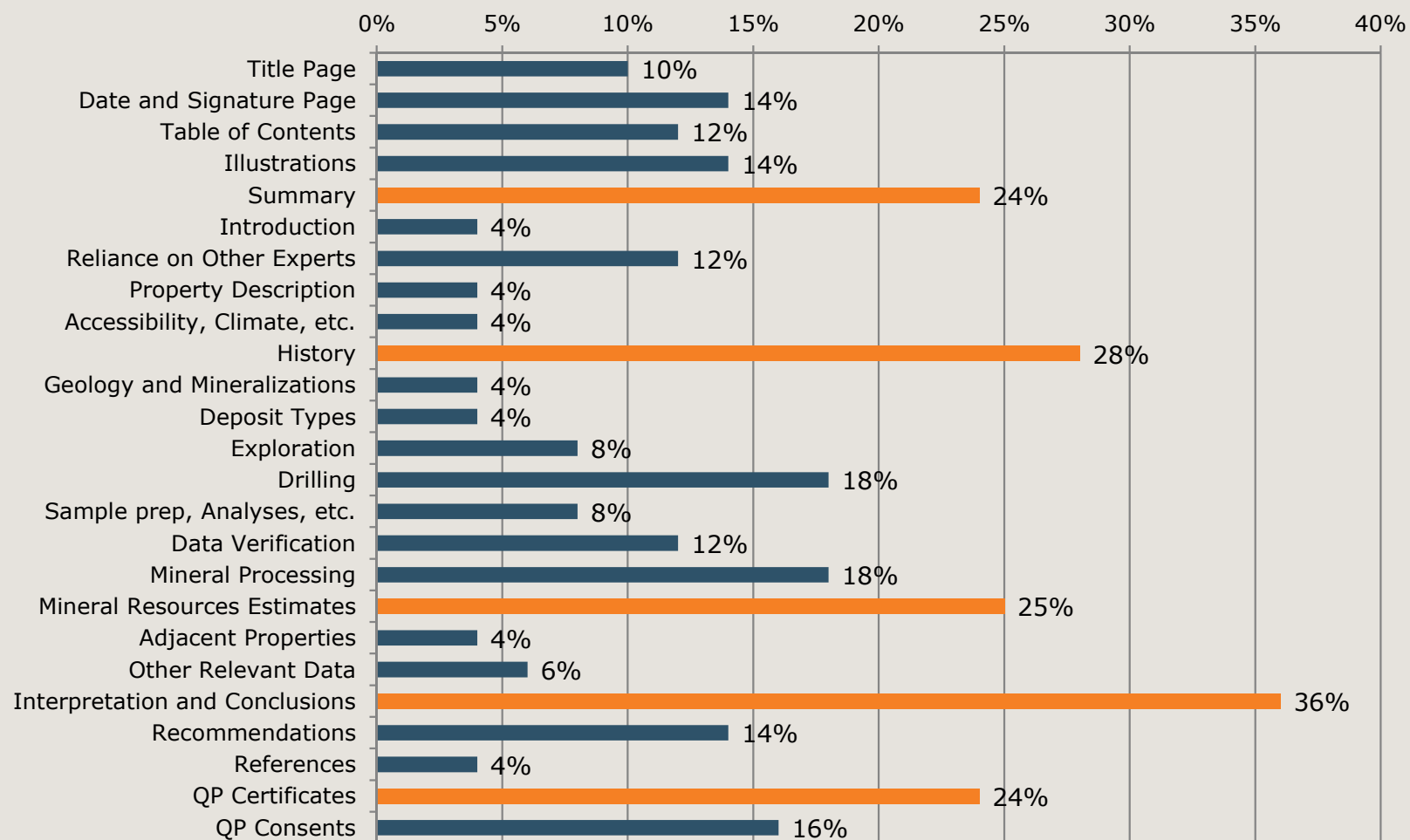
Compliance Results

Overall Technical Report Compliance

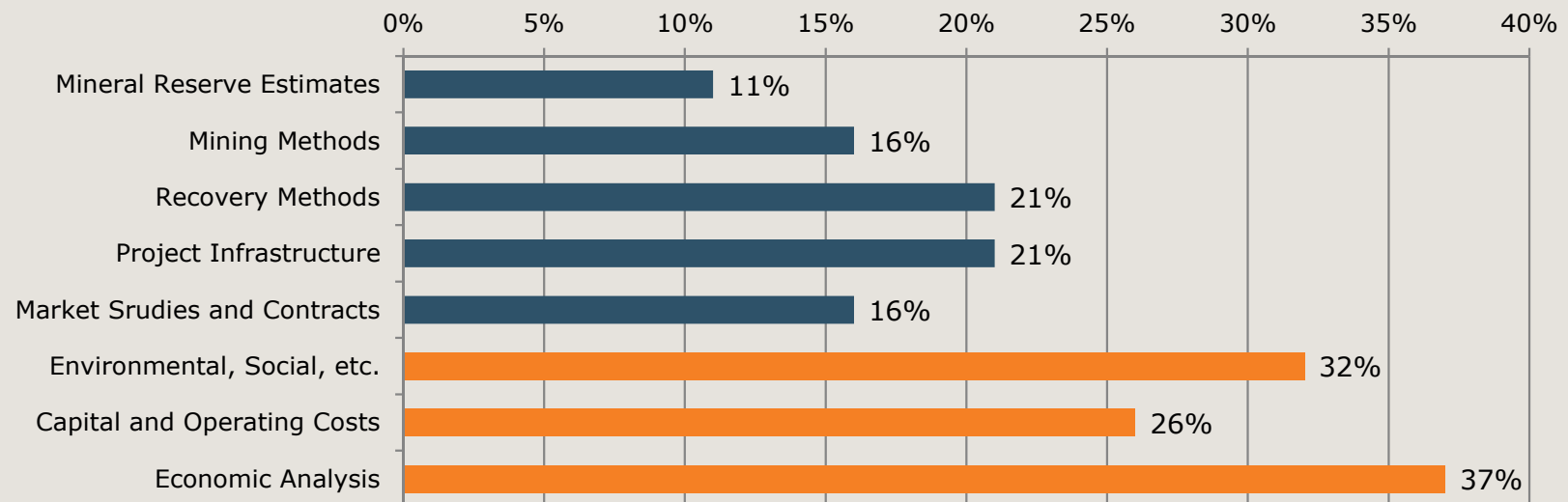


Sample of 50 technical reports

Non-Compliance – Technical Reports



Non-Compliance – Technical Reports (cont'd) (Advanced Property)



Technical Report – Practical Tips

- QP selection is important
- Know the intended purpose of the technical report
- Use a checklist based on the disclosure requirements
- Setup a basic template for the technical report
- Write a concise summary
- Clearly state the risks and uncertainties
- Have the draft technical report peer reviewed



Website Disclosure

Website Disclosure

- Investor relations materials
 - Provide a powerful tool for companies to communicate with investors
- NI 43-101 disclosure rules still apply
 - Materials posted on a company's website are captured within the definition of “written disclosure” in and disclosure requirements apply
- General observations
 - Website disclosure, such as investor presentations, fact sheets and media articles are often less likely to comply with disclosure rules compared to regulatory filings

*If you disclose it – physically or electronically –
you must ensure it complies with NI 43-101*

Website Disclosure – Pitfalls

- Common areas of non-compliance related to investor relations materials include:
 - Naming the QP
 - Data verification statement
 - Exploration targets
 - Historical estimates
 - Disclosures related to mineral resources and mineral reserves
 - PEA cautionary language

*Article: "Electronic disclosure and regulatory compliance"
C. Waldie, Mar/Apr 2011, CIM Magazine*

Tip – Remember Section 3.5 of NI 43-101

Exception for Written Disclosure Already Filed

- Include in the written disclosure a reference to the title and date of a document previously filed by the company that includes the required information
- Note – only applies to the following disclosure:
 - s. 3.2 – Data Verification
 - s. 3.3 – Exploration Information
 - Some parts of s. 3.4 – Mineral Resources and Mineral Reserves
 - Effective date
 - Key assumptions (ex. cut-off grade, metal price, etc.)
 - Known risks (legal, political, environmental, other)



Reviews by Commission Staff

Technical Reviews by the Regulator

Continuous disclosure (CD) reviews

- Typical documents examined
 - Website (all of it)
 - News releases (past year)
 - MD&A (past year)
 - AIF (if filed)
 - Technical reports (most recent ones)
 - Social media sites (linked to the company)
 - Bullboards and chat rooms (investor reaction)

Technical Reviews by the Regulator

Prospectus reviews

- Typical documents examined
 - Prospectus
 - Technical information
 - Use of proceeds
 - Documents incorporated by reference into the prospectus
 - AIF, news releases, MD&A, etc.
 - Technical reports (most recent ones)
 - Website (all of it)

So what if I don't comply?

NI 43-101 is enforceable under the Securities Act

- Some of the possible outcomes:
 - News release clarifying and/or retracting the disclosure
 - Company placed on Refilings and Errors list
 - Company placed on Default list (can't raise new money)
 - Cease Trade Order (trading stops)
 - Enforcement order under the Act
 - Professional liability and disciplinary action (QPs)
 - Class action lawsuit (civil liability provisions of the Act)
 - Securities Act charges (5 years/ \$5 million fine)
 - Criminal Code charges (up to 14 years)

Key Action Items for Mining Companies

- ✓ Understand your disclosure obligations
 - ✓ Be aware of CIM standards and best practices
 - ✓ Avoid the common mistakes
 - ✓ Review and discuss technical disclosure with your QP
 - ✓ Peer review of technical reports may increase compliance
-
- Don't let this happen to you!
 - Missed filing deadlines
 - Public retraction and clarification
 - Withdrawn financings

Thank You!

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