SAMCODES
SAMCODES STANDARDS COMMITTEE
THE SOUTH AFRICAN MINERAL REPORTING CODES

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Mr Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090
Via email: (rule-comments@sec.gov)

26 September 2016

Dear Mr Fields,

Re: File Number S7-10-16
Release Number 33-10098;
Modernization of Property Disclosures for Mining Registrants

The South African Code for the reporting of Mineral Asset Valuation (SAMVAL) is a founding member of the South African Mineral Codes (SAMCODES). SAMVAL compliance is based on the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), which is a CRIRSCO affiliated Code.

SAMVAL takes pleasure in submitting the attached XL spreadsheet containing more detailed responses to each question posed by the Securities and Exchange Commission regarding the proposed rules to revise the property disclosure requirements for mining registrants and related guidance currently set forth in Item 2 of Regulation S-K under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended and Industry Guide 7.

This submission highlights the issues as identified by a body that regulates property/mineral asset valuation through reliance on a CRIRSCO-based compliant resource/reserve estimation.

Yours faithfully,
SAMCODES Standards Committee

_____
Tania R Marshall (Dr)
Chairperson

The threshold for reporting should remain materiality.
And this would apply, irrespective of the commodity, but be based on whether the value contributed is material to company.

24

Question 11: Are there difficulties that a registrant with multiple properties could face ….?
See answer to question 10.

24

Question 12: Should we require more detailed disclosure about individual properties that are material ….?
No. One set of disclosure rules should apply to material assets.
The disclosure rules for mineral properties and mining companies should be consistently applied, and follow the principles of e.g. SAMCODES, NI43-101, VALMIN/JORC.

24

iii Treatment of royalty companies and other companies holding economic interest in mining properties

Question 13: Should we require a royalty company, or a company holding a similar economic interest ….?
We recommend that the overarching principle should be the accounting definition of an asset which is "a resource controlled by an enterprise from which future economic benefits will flow". Therefore if a royalty company can demonstrate control and it is material, then the asset should be reported.
Even if the royalty company does not have control, it is still a source of income that is contractually governed and should be disclosed on materiality.
Where full disclosure of the mineral resources and mineral reserves is provided in a separate technical report, the royalty company should only need to refer to that report, disclose the resources and reserves and the attributable percentage based on the royalty agreement.

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Question 14: Should we permit a royalty company, or other similar company holding an economic ….?
See answer to question 13.

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Question 15: Describe its material properties and file a technical summary for each such property ….?
See answer to question 13.
The problem with insisting disclosure by a royalty company which does not control the mineral asset is that in many cases the owner may not be fully disclosing the mineral asset information and this could lead to confusion.
The royalty company has to rely on mineral asset information provided by the owner, and cannot be responsible for the accuracy thereof.

27

2 Definition of exploration, development and production stage

Question 16: Should we define “exploration stage property,” “development stage property” and “production stage property,” as proposed ….?
No. The purpose of overhauling industry guide 7 is to enable mineral resource companies, even if they do not have reserves, to report. The definitions should be identical to CRIRSCO.

31

Question 17: Should we also revise the definitions of “exploration stage issuer,” “development stage issuer” and “production stage issuer,” as proposed?
No. The status of the registrant (we assume this is the same as the issuer) should simply relate to the listing category. The classification of a registrant should be defined upon listing or the existing registrant should be given an opportunity to reclassify themselves.

31

Question 18: Would the two proposed sets of definitions appropriately classify the particular stage of a registrant’s mining operations?
See answer to question 17 and 18 above and the intention should be to keep it simple.

31

Question 19: Should the proposed rules specify that a registrant that does not have mineral reserves on any of its properties, even if it hasmineral resources or exploration results?
See answer to question 17 above.

31

C (1). Qualified Person and Responsibility for Disclosure - The "qualified person" requirement

Question 20: Should we require, as proposed, that the determination of mineral resources, mineral reserves and material exploration results,…?
For a new registrant connecting the registrant's filing with the qualified person's report must be demonstrated.
For existing registrants the new filing requirements will fulfill that requirement. This will mitigate some risks associated with uncertainty.

38

Question 21: Should the registrant be responsible for determining that the qualified person meets the qualifications specified under the new subpart's definition of "qualified person" as proposed? Why or why not?

Yes. The registrant must demonstrate the competence of the QP.
The registrant should satisfy himself that the QP is competent. It is up to the QP to demonstrate competence.

39

Question 22: Should we, as proposed, require a registrant to obtain a technical report summary from the qualified person, which identifies and summarizes the information reviewed and conclusions reached by the qualified person about the registrant's exploration results, mineral resources or mineral reserves, before it can disclose those results, resources or reserves in SEC filings? Why or why not?

No. Once the requirements for technical filing have been defined then a single technical report should be submitted for material assets.
Defining a "summary" report is a complicated issue. In South Africa, the JSE tried to include a provision for an "Short Form Report" which ended up being called an "Executive Summary" with a separate set of listing requirements which itemised key points to be drawn from the CPR. In our view, the Canadian and Australian "principle" of "short and concise" has led to an increase in the preparation "Short Form Reports" and the items included in them are largely those identified in NI43-101. This is very important because those are the items that you have primarily identified on page 241. What this does is essentially eliminate the need for a "Long Form Report". In Oil and Gas NI51-101 the technical and value report is essentially a short form report.
The JSE will accept an Executive Summary as disclosure, provided that a complete Competent Persons Report was prepared and filed on the company's website.
in addition, the Executive Summary has to be approved at the same time as the full CPR is approved.

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Question 23: If we require, as proposed, that a registrant obtain a technical report summary from the qualified person, should we also, as proposed, require that the registrant file the technical report summary as an exhibit to the relevant registrant statement or other Commission filing when one is required? Why or why not?

See answer to 22. We do not recommend double filing.
Where the full CPR is filed on the company's website, there is no need to insist on a summary as well.

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Question 24: Should we require, as proposed, a registrant to file the technical report summary when the registrant is disclosing mineral reserves, mineral resources or material exploration results for the first time or when there is a material change in the mineral reserves, mineral resources or exploration results from the last technical report filed for the property? Why or why not?

The technical report (not summary) should be filed for initial disclosure for material assets. Subsequent changes should not require the filing of an additional report unless it may be a basis for a transaction. In which case the full requirements for repoting should kick in.
Where the changes in subsequent filings are material, then a full technical report should be provided to substantiate the changes.

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Question 25: Should we require, as proposed, a registrant to obtain the written consent of the qualified person to the use of the qualified person's name and any quotation or other use of the technical report summary in the registration statement or report prior to filing the document publicly with the Commission? Why or why not?

Written consent is normally required for IPO work but not for annual filings unless the reports are prepared by independent QP's. In Canada, the consent of the annual filing preparers is institutionalised through specific forms. You could follow this route.
It is good practice to state that the QP has given written consent for the disclosure, irrespective whether the QP is employed by or independent of the company.

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Question 26: Should we require that a registrant identify the qualified person that prepared the technical report summary and disclose whether the qualified person is an employee, as proposed? Why or why not?

Yes. The relationship between the QP and company should be disclosed.

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Question 27: Should we require a registrant to state whether the qualified person is independent of the registrant? Why or why not?

Yes, see answer to 26
We strongly suggest the requirement for independence of IPO QP's but for annual filings independence would not be required but the internal QP should still complete a Form disclosing relationship. Our reason for supporting independence is because the parallel function is auditing
There are suitable definitions for independence in the various codes - any one will suit.

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Question 28: based on the determination of a qualified person that is independent of the registrant? If so, should we impose such a requirement only under certain circumstances, such as when the filing discloses resources or reserves by the registrant for the first time; a material change in previously disclosed resources or reserves that has occurred or is likely to occur; or a 100% or greater change in the total mineral resources or reserves on a material property, when compared to the last disclosure? In each case, why or why not?

For IPO work we recommend the QP be independent for other disclosure a company QP will suffice.

For any material transaction, involving>20% of the issued shares, an independent QP should be used

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Question 29: Alternatively, rather than requiring the qualified person to be independent, should we require, when the qualified person is affiliated with the registrant or another entity having an ownership or similar interest in the property, that a person independent of the registrant and qualified person review the qualified person's work?

See answer to question 28. We do not recommend reviews as this concept falls outside of the proposed regulation.
For a first filing, material change or material transaction, review and independent sign-off of resources and reserves should be done.

42

Question 30: Should we require the registrant to disclose any material conflicts of interest that could reasonably affect the judgment or decision making of the qualified person, such as material ongoing business relationships between the registrant and the qualified person or the qualified person's employer?

Yes. Any conflicts of interest must be disclosed.

Question 31: Would the proposed technical report summary filing requirement impose a significant burden on registrants? If so, which registrants and why? Are there changes that we could make to this proposed requirement to alleviate any such burden?

42

No. All mineral asset companies prepare technical reports. Therefore we do not see this as an additional burden.

C (2). Qualified Person and Responsibility for Disclosure - The definition of "qualified person"

43

Question 32: Should we define a qualified person in part to be a mineral industry professional with at least five years of relevant experience in the type of mineralization, as described here and in the proposed rule, and type of deposit under consideration and in the specific type of activity that person is undertaking on behalf of the registrant, as proposed?

The definition of a QP is already incorporated in CRIRSCO and the SEC should adopt the same definition.
The discussion also correctly makes reference to the defintion in e.g. JORC, SAMREC, SME, PERC.

48

Question 33: Should we define a qualified person to be an individual, as proposed?

Yes. The global intention is to identify specific individuals who take responsibility for the reports they prepare.

49

Question 34: Do the proposed instructions provide the appropriate guidance for what may constitute the requisite relevant experience in the particular activity involved and in the particular type of mineralization and deposit under consideration?

The guidance in CRIRSCO is clear.

49

Question 35: Should we define a qualified person in part to be an eligible member or licensee in good standing of a recognized professional organization at the time the technical report is prepared, as proposed? Why or why not?

Yes. The CRIRSCO rules are clear that the QP should be a member of a recognized professional organisation. It is also important that the QP is registered with a statutory body and subject to the laws of the land.

49

Question 36: What factors should we consider in determining whether a professional association is recognized as reputable with regards to the definition of a recognized professional organization?

In the CRIRSCO world there is the concept of ROPO or reciprical professional bodies who have formal cross recognition between geographies and professional organizations. We suggest that the SSC follows a similar process.

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Question 37: Instead of the proposed flexible approach, should we require that a qualified person be a member of an approved organization listed in an appendix to the mining disclosure rules or in a document posted on the Commission's website?

The ROPO'S that the SEC recognizes should be the same as CRIRSCO and if they wish to publish a list.

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Question 38: Should we, as proposed, require a registrant to disclose the recognized professional organization(s) that the qualified person is a member of, and confirm that the qualified person is a member in good standing of the organization(s)?

The QP must disclose who he is registered with and this is normally incorporated in the consent form.

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Question 39: Are there different or additional conditions that a person should have to satisfy in order to meet the definition of qualified person?
No, because the ROPO's and the statutory bodies scrutinize the membership and qualifications as suggested here.

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Question 40: Is the definition of qualified person too restrictive, thus increasing the cost and difficulty associated with finding a qualified person?
No.

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Question 41: Instead of prescribing qualifications for the qualified person, should we instead require a registrant to provide detailed disclosure regarding the qualifications of the individual who prepared the technical report summary? Why or why not?
No. It has been dealt with in the above.

51

D. Treatment of Exploration Results

Question 42: Should we require a registrant to disclose material exploration results for each of its material properties, as proposed? Why or why not? Alternatively, should we permit registrants to provide exploration results in a summary form?
Yes. As long as the exploration information is consistent with the CRIRSCO definitions. The type of disclosure (long form or summary) is dealt with later.

54

Question 43: Should we define exploration results as data and information generated by mineral exploration programs (i.e., programs consisting of sampling, drilling, trenching, analytical testing, assaying, and other similar activities undertaken to locate, investigate, define or delineate a mineral prospect or mineral deposit) that do not form part of a disclosure of mineral resources or reserves, as proposed? Why or why not?
The definition is included in CRIRSCO. We do not recommend a depature from this.

55

Question 44: What are the risks that could result from requiring disclosure of material exploration results? Should we prohibit the use of exploration results to derive estimates of tonnage, grade, and production rates, or in an assessment of economic viability, as proposed?
The only risk that we forsee is if a valuation is reported. Whilst this valuation may not be calculated from mineral resources, it may be as a result of a transaction such that it is based upon the historical cost, or an arms length transaction which has to be reported upon in the financial statements. Linking the exploration potential to that transaction can only be achieved if the exploration results are reported.

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Question 45: When determining whether exploration results are material, should a registrant consider their importance in assessing the value of a material property or in deciding whether to develop the property, as proposed? Why or why not?
Materiality should be based upon the same principles as discussed under items 3,4,5,6,7,8.

55

Question 46: We are proposing to require the disclosure of material exploration results for each material property. Should we also require disclosure of material exploration results when the registrant has determined that it has in the aggregate material mining operations but no individual properties are material?
No, each property should reach the materiality test.
An operating mine may have a finite life. Satellite deposits invidually may not be material, but together would substantially extend the mine life. thess should be disclosed.

55

E. Treatment of Exploration Results

Question 47: Should we require a registrant with material mining operations to disclose mineral resources in addition to mineral reserves, as proposed? Why or why not?
Yes, full disclosure of mineral resourses should be required as this is the global standard.
Disclosure should also be provided whether the resources include or exclude the mineral reserves.

59

Question 48: What are the risks that could result from requiring a registrant with material mining operations to disclose its mineral resources? How could the Commission mitigate those risks?

We highly recommend that you insist upon "inclusive" reporting as not to do so leads to uncertainty which is a risk.
Disclosure should also be provided whether the resources include or exclude the mineral reserves.

59

Question 49: Under the proposed rules, a registrant with material mining operations could choose not to engage a qualified person to determine whether a mineral deposit is a mineral resource, with the result that the registrant would not be required to disclose mineral resources that may exist. Should the rules, as proposed, preclude a registrant from disclosing mineral resources in an SEC filing if it has elected not to engage a qualified person to make the resource determination?
A QP must always prepare reports for disclosure. This should be insisted upon by the SSC.

1. Mineral Resource Definition

59/60

Question 50: Should we define the term "mineral resource," as proposed? Why or why not? In order for material to be classified as a mineral resource, should there be reasonable prospects for its economic extraction, as proposed? Why or why not?
As long as the SSC uses the CRIRSCO definitions then the SEC should simply copy them.

64

Question 51: Should the definition of mineral resource include mineralization, including dumps and tailings, as proposed? Should the definition of mineral resource also include geothermal fields and mineral brines, as proposed? Why or why not?
Yes.
Geothermal fields and mineral brines are special cases and probably need to be dealt with under O&G. A similar problem arises with Uranium leach projects.

64

Question 52: Should the definition of mineral resource exclude oil and gas resources as defined in Regulation S-X,146 gases (e.g., helium and carbon dioxide), and water, as proposed?
Yes, the O&G regulations are quite distinctive.

64

Question 53: Should the definition of mineral resource include the requirement that a qualified person estimate or interpret the location, quantity, grade or quality continuity, and other geological characteristics of the mineral resource from specific geological evidence and knowledge, including sampling, as proposed? Why or why not? Are there other geological characteristics that we should explicitly require a qualified person to estimate or interpret when determining the existence of mineral resources?
Yes, this is a standard principle enshrined in CRIRSCO. The issue of the cut off grade should be brought in here which links directly to the concept of reasonably prospects for economic extraction. So even at this stage, the preliminary modifying factors should be define at this stage.
In the case of a coal deposit, there are a number of criteria that are used in estimating and reporting a resource [see SANS 10230].

65

2. Mineral Resource Classification

Question 54: Should we require a registrant to classify its mineral resources into inferred, indicated and measured mineral resources, as proposed? Why or why not? If not, what classifications would be preferable and why?
Yes, this is a standard CRIRSCO approach.

77

Question 55: Should we define "inferred mineral resource" as proposed? Why or why not? Should we require the disclosure of inferred mineral resources although quantity and grade or quality with respect to those mineral resources can be estimated only on the basis of limited geological evidence and sampling, as proposed?
No, the CRIRSCO definition should be adopted.
This question incorporates the SEC concerns with respect to risk and is a occurring theme for much of the rest of the questions. We ask what the preparer of the questions is concerned about? The reason why this is important is because there are many risks and if there is an attempt to require a quantification using statistics of these risks then for mineral resources each parameter has a different statistical risk. For example, in a tabular gold deposit you could require a statistical distribution for width, grade or the gold accumulation. Each on is dramatically different to one another. Unlike the O&G industry where they can deal with this through risk adjusted volume graphs the minerals industry is much more complex. Therefore we do not recommend formalising a quantification of mineral resource risk boundaries.

77

Question 56: Should we prohibit the use of inferred mineral resources to make a determination about the economic viability of extraction, and preclude the conversion of an inferred mineral resource into a mineral reserve, as proposed? Would these proposed prohibitions be sufficient to mitigate the added uncertainty that could result from the requirement to disclose inferred mineral resources? Are there circumstances that would justify a qualified person's use of inferred mineral resources to make a determination about the economic viability of extraction, or that would allow the conversion of an inferred mineral resource into a mineral reserve? Should we permit the use of inferred mineralresources to make a determination about the economic viability of extraction as long as the qualified person and registrant disclose the high level of risk associated with such mineral resources? If so, what would be the potential effects on registrants and investors?
This question incorporates the SEC concerns with respect to risk and is a occurring theme for much of the rest of the questions.
No, more importantly inferred resources should be allowed to calculate life of mine studies. CRIRSCO handles this by linking to the valuation codes such as IMVAL, SAMVAL, CIMVAL and VALMIN where the difference with inferred resources in and out of the calculation can be shown for valuation.
Yes a cautionary statement is required.
The Preliminary Economic Assessment of the NI43-101 Code is an engineering study done at a conceptual level, often on inferred resources, to determine whether a given project has the potential to become a mine. This enables a decision to be made, or not, to advance the project to a pre-feasibility study.

77/78

Question 57: Should the definition of "inferred mineral resource" provide that such mineral resource has the lowest level of geological confidence of all mineral resources, which prevents the application of the modifying factors in a manner useful for evaluation of economic viability, as proposed? Should we require a registrant, when disclosing inferred resources, to provide a legend or cautionary statement about the geological uncertainty associated with inferred resources?
See answer to 56.
The NI43-101 gives examples of what should be included in cautionary statements.

78

Question 58: Should we define "indicated mineral resource," as proposed? In particular, should the definition depend on a qualified person's ability to estimate quantity and grade or quality using adequate geological evidence and sampling, as proposed? Should the definition of "adequate geologic evidence" be based on a qualified person's ability to apply modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit, as proposed?
See answer to 55.

Question 59: Should the definition of "indicated mineral resource" include that such mineral resource has a lower level of confidence than what applies to a measured mineral resource and may only be converted to a probable mineral reserve, as proposed?
The standard CRIRSCO definition is sufficient.

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Question 60: Should we define "measured mineral resource," as proposed? In particular, should the definition depend on a qualified person's ability to estimate quantity and grade or quality on the basis of conclusive geological evidence?
See answer to 55.

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Question 61: Should the definition of "measured mineral resource" include that such mineral resource has a higher level of confidence than what applies to either an indicated mineral resource or an inferred mineral resource and may be converted to a proven mineral reserve or to a probable mineral reserve, as proposed?
As above.

79

Question 62: Should we require the disclosure of numerical estimates of the level of confidence associated with each class of mineral resource, as proposed? Why or why not? Should we instead follow the practice in the CRIRSCO-based codes and require only the disclosure of all material assumptions and the factors considered in classifying mineral resources? Why or why not?
See answer to 55.

3. The initial assessment requirement

Question 63: Should we require that a registrant's disclosure of mineral resources be based upon a qualified person's initial assessment, which supports the determination of mineral resources, as proposed? Why or why not?
Yes, this is standard practice. With regards to risk please see answer to question 55.

79

Question 64: If we require an initial assessment to support the determination of mineral resources, should we define “initial assessment,” as proposed, to require the consideration of applicable modifying factors and relevant operational factors for the purpose of determining (at the resource evaluation stage) whether there are reasonable prospects for economic extraction? Should we instead only require consideration of modifying and operational factors at the reserve determination stage? 92

No, the concept of "initial assessment" should be excluded.
It is good practice to undertake a high-level "initial assessment" to support the claim of reasonable prospects for economic extraction, but it is not necessary to have to disclose the process and modifying/operational factors that were applied. 92

Question 65: Should we require an initial assessment to include cut-off grade estimation, as proposed? Why or why not?
See answer to 64.

92

Question 66: Should we require a qualified person to base cut-off grade estimation on assumed unit costs for surface or underground operations, as proposed? Is it appropriate to allow the qualified person to make an assumption about unit costs, as proposed, or should we require a more detailed estimate of unit costs at the resource determination stage? Is it appropriate to require the qualified person to disclose whether the unit cost estimates are for surface or underground operations, as proposed?

This is a complex question and even though there are text book standards on how to calculate a cut off the global industry does not adhere to one standard since the CRIRSCO rules and the valuation codes are principles based, not rules based. For example, the gold industry tends to use a gold price which is 10% to 20% higher than the spot price for a cut off but 10% to 20% below spot to calculate the pay limit. However in the platinum industry they frequently use a metal price which is 20% to 50% higher than spot to calculate both the cut off and the pay limit. 92
In this case your question focuses on cost but it is more important to focus on the potential revenue which links to part 6 of this questionare.
Bulk commodity producers (e.g.Fe ore) often use a long-term price to calculate cut-off grade for reserve purposes, and then increase this price by 50-100% for resource estimation purposes. The price used for a resource or reserve cut-off calculation should always be disclosed.

Question 67: Should we require a qualified person to base cut-off grade estimation on estimated mineral prices, as proposed? In this regard, should we require the qualified person to use a commodity price that is no higher than the average spot price during the 24-month period prior to the end of the last fiscal year, determined as an unweighted arithmetic average of the daily closing price for each trading day within such period, unless prices are defined by contractual arrangements, as proposed?

The use of a trailing average, irrespective of the period, understates the price in a rising market and overstates the price in a falling market.
The use of consensus price forecasts for common commodities is preferred for evaluation purposes.
For certain products, e.g. FeCr, the use of specialised market commentators to provide their opinion on the overall market, supply/demand dynamics and price projections is preferred.
It is important that the source of the price projections and any exchange rate forecasts is the same.

Question 68: Is the proposed 24-month period the most appropriate period for the estimated price requirement? Would a 12, 18, 30, or 36-month period, or some other duration, be more appropriate? Should the 24-month period, or other period be fixed and apply to all registrants, or should the period vary depending upon the type of commodity being mined and other factors?
See answer to 67.
The trailing average can be used as a reference, but should not be prescribed. See answer to 67.

Question 69: Should we require, as proposed, the same ceiling price for mineral resource and reserve estimation? If not, how should the prices used for mineral resource and reserve estimation differ? Would such criteria meet the goals of transparency, cost efficiency and comparability?
See answer to 67.
See answer to 66.

93

Question 70: Should we require that for purposes of the initial assessment a qualified person must provide at least a qualitative assessment of all relevant modifying factors to establish economic potential and justify why he or she believes that all issues can be resolved with further exploration and analysis, as proposed? Are the modifying factors provided as examples in the proposed instruction and table the most appropriate factors to be included? Are there other factors that should be specified in the instruction and table in lieu of or in addition to the mentioned factors? Would presentation of the modifying factors in a table benefit investors, registrants and qualified persons?
We do not like the concept of an initial assessment. At any stage where a CRIRSCO compliant resource is being defined the modifying factors must be disclosed and a suggestion of a table is a good one.

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Question 71: Should we permit the qualified person to make assumptions about the modifying factors set forth in the proposed table at the resource determination stage, as proposed? Why or why not? Are there other assumptions that we should specify in lieu of or in addition to those already mentioned in the proposed table?
This is standard operating procedure that the QP makes these desicions.

Question 72: Should we permit a qualified person to include cash flow analysis in an initial assessment to demonstrate economic potential, as proposed? Why or why not? If we should permit cash flow analysis in an initial assessment, should we require that operating and capital cost estimates in the analysis have an accuracy level of at least ±50% and a contingency level of ≤25%, as proposed? If not, what should the accuracy and contingency levels be? Should we require the qualified person to state the accuracy and contingency levels in the initial assessment?

93/94

The incorporation of a cash flow analysis is generally permitted with respect to the valuation codes by the listing requirements. The QP would normally assist in the process unless the QP is also a QV (qualified valuator) who should be registered in the same way as the QP. The principles of disclosing a
In the second part of this question you now try to define accruacy levels for operating and capital cost estimates. You have the same problem as we identified in question 55 the industry should be allowed to decide on its level on accruacy.

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A financial evaluation is included in an initial assessment to demonstrate economic potential, but can NEVER be used to indicate a value for the project.
The accuracy level and contingencies for the capex/opex should be disclosed by the QP, but should be based on his assessment of the parameters used rather than being prescribed by the SEC. For example, actual costs taken from a recent similar project may provide a better level of accuracy, but the remaining factors are still very much at an initial assessment level of confidence.

94

Question 73: If we permit cash flow analysis in the initial assessment, should we prohibit the qualified person from using inferred mineral resources in the cash flow analysis, as proposed? Why or why not? Would there be disadvantages to registrants or investors if the use of inferred mineral resources in an initial assessment's cash flow analysis is prohibited? Would there be advantages to prohibiting the use of inferred resources in an initial assessment's cash flow analysis in the initial assessment?
Yes and this links back to questions 55 and 56. Prohibiting anything is not in keeping with a principles based approach.

In many instances, an initial assessment is performed on inferred resources only. Prohibiting the inclusion of these would not be correct.
Disclosure of the necessary caveats surrounding the use of inferred resources (as per NI43-101) should be included.

The inferred resources must be included in the initial assessment to gauge the ultimate mining footprint and implications for surface infrastructure.

Question 74: Should we prohibit the use of an initial assessment to support a determination of mineral reserves, as proposed? Why or why not?

No we do not recommend an initial assessment.
All codes prescribe that a minimum of a pre-feasibility or feasibility study is required to support the estimation of mineral reserves.
This same principle should be applied.

94

4. USGS Circular 831 and 891

Question 75: Are we correct in thinking that use of Circulars 831 and 891 to classify mineral resources would not be appropriate under the proposed rules? Why or why not?

No. If there is a move towards statistical definition of mineral resource boundaries then borehole spacing would not be prescribed.

94

F. Treatment of Mineral Reserves

1. The framework for determining mineral reserves

Question 76: Should we establish a framework for mineral reserves determination and disclosure, as proposed? Why or why not? Is there another framework that would be preferable to the proposed framework? If so, what would be the advantages and disadvantages of the alternative framework?
CRIRSCO definitions should prevail.

Question 77: Should we define "mineral reserve," as proposed? Are there conditions that we should include in the definition of mineral reserves instead of, or in addition to, those proposed to be included in the definition? Are there any conditions that we should exclude from the definition of mineral reserves? For example, should we modify the condition that mineral reserves be based on a pre-feasibility or feasibility study to only permit a feasibility study? Should we exclude in its entirety the condition that mineral reserves be based on a feasibility or pre-feasibility study? Are there terms that we should define differently? For example, should we define a mineral reserve as an estimate of tonnage and grade or quality that includes diluting materials and allowances for losses, instead of a net estimate, as proposed? Why or why not?

CRIRSCO definitions should prevail. It is standard practice that mineral reserves should be based on a minimum prefeasability study.

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Question 78: Should we explicitly include a life of mine plan disclosure requirement in the technical studies required to support a determination of mineral reserves, as proposed? Why or why not?

107

Yes a life of mine plan should be required as a prescriptive matter.

107/108

Question 79: Should we require the use of a discounted cash flow analysis or other similar analysis to establish the economic viability of a mineral reserve's extraction, as proposed? Why or why not? If so, should we require the use of a price that is no higher than a trailing 24 month average spot price in the discounted cash flow analysis, except in cases where sales prices are determined by contractual agreements, as proposed? Is there some other period (e.g., 12 or 36 months) or measure that should determine the price used in the discounted cash flow analysis?

We strongly suggest that a separate valuation section should be prepared in keeping with the IMVAL family of valuation codes. The point about metal prices was discussed from section 55 onwards. Spot prices should be the observable input and the fixation on trailing prices should be dropped.

Yes. Only a DCF analysis applied to an engineered LoM plan can confirm economic vailability for a mining project and economic extraction.

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The DCF analysis takes into account all modifying factors - mining, plant, environmental, legal, governmental, etc

The QP should disclose the price projections used, and these should be from a source that is independent of the registrant.

Question 80: Should we allow registrants to use an alternate price in addition to a price that is no higher than a trailing 24 month average spot price, as long as they disclose the alternate price and their justification? Alternatively, should we require every registrant to use a fixed 24 month trailing average price with the option to use an alternate price(s) that is reasonably achieved? Are there other pricing methods (e.g., management's long term view or using spot, forward or futures prices at the end of the last fiscal year to determine the ceiling price allowed) that we should require or permit registrants to use in discounted cash flow analysis? Would such pricing methods be transparent, easy for registrants to apply and investors to understand, and to the extent practicable, provide some degree of comparability?

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CRIRSCO definitions should prevail.

See answer to Q79. The QP should disclose the price projections used, and these should be from a source that is independent of the registrant.

The trailing average should not be used.

Question 81: Should we define the terms "probable mineral reserve" and "proven mineral resource," as proposed? Why or why not? If not, how should we modify these definitions?

CRIRSCO definitions should prevail linked to IMVAL valuation codes.

The CRIRSCO term "proved" reserve should be used (not proven)

Question 82: Should we define "modifying factors," as proposed? Are there any factors that we should include in the definition of modifying factors instead of or in addition to those already included in the definition? Are there any factors that we should exclude from the definition?

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CRIRSCO definitions should prevail linked to IMVAL valuation codes.

Question 83: Should we adopt the above discussed instructions, as proposed? Why or why not?

109

See answers above.

2. The type of study required to support a reserve determination

109

Question 84: Should we define "preliminary feasibility study" and "feasibility study," as proposed? Are there any terms and conditions that we should include instead of or in addition to those included in the proposed definitions? Are there any terms or conditions under each definition that we should exclude?

No, these definitions should be in CRIRSCO.

Question 85: Should we permit the use of either a pre-feasibility study or a feasibility study to support the determination and disclosure of mineral reserves, as proposed? Why or why not? 109

Yes this is standard practice.

Question 86: Should we require qualified persons to use a feasibility study in situations where the risk is high, as proposed? Why or why not? Are there other conditions, in addition to or in lieu of high risk situations, where we should require a feasibility study in support of mineral reserve disclosure? 121

This issue should be connected to 84 and 85.

Irrespective of the risk conditions, only a pre-feasibility or feasibility study can be used to determine mineral reserves.

the risks to the project can be handled in various ways - e.g. detailed risk assessment and the mitigating factors get incorporated into the designs and costings. 121

A less favoured way, but sometimes necessary, is to increase the discount rate to take account of the perceived/identified risks in the project.

Question 87: Should we adopt the proposed instructions about the use of a pre-feasibility study to support the determination and disclosure of mineral reserves? Are there any instructions that we should provide instead of or in addition to the proposed instructions for such use of a pre-feasibility study? Are there any instructions that we should exclude? Would the proposed instructions mitigate the risk of less certain disclosure that could result from the use of a pre-feasibility study to support the determination and disclosure of mineral reserves? If not, why not?

Yes this is standard procedure.

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Question 88: Should we adopt the proposed instructions for the use of a feasibility study to support the determination and disclosure of mineral reserves? Are there any instructions that we should provide instead of or in addition to the proposed instructions for such use of a feasibility study? Are there any instructions that we should exclude?

See above.

Question 89: As part of the instructions for pre-feasibility and feasibility studies, should we define preliminary and final market studies as proposed? 121

No, it is not standard practice to define these studies as suggested.

This depends on the nature of the commodity and whether or not off-take agreements would be required to confirm economic viability.

The primary issue is that the basis for the price forecasts should be disclosed, and where these were obtained from - contract, independent review, consensus prices, e 122

G Specific Disclosure Requirements

1. Requirements for Summary Disclosure

Question 90: Should we require summary disclosure, as proposed, for all registrants with material mining operations? Why or why not? Should such summary disclosure require maps showing the locations of all mining properties, a presentation of the proposed information about the 20 properties with the largest asset values, and a summary of all mineral resources and reserves at the end of the most recently completed fiscal year, as proposed? 122

This issue is linked to (B) on page 241 where you begin to define the contents of a technical report. The question is do you want to have a comprehensive Technical Report, or do you wish to have a Technical and Valuation Report? The latter would be the same as a Competent Persons Report as contemplated in South Africa. It is prepared in order to cover all the items in Table 1 of the SAMREC Code together with Table 1 of the SAMVAL Code. This requirement is embedded in the JSE Listing Requirements Section 12.

In most cases a CPR is similar to a NI43-101 report but the Canadians tend not to include a valuation. Funnily enough, for early stage reports they allow the preparation of a Preliminary Economic Assessment which then generates according to them an "Evaluation". This is confusing.

Some Securities Exchanges such as the ASX and AIM like "short and concise" reports which are effectively an Executive Summary as defined in Section 12:9 131

of the JSE Listing Requirements. The problem is that to prepare an Executive Summary or "Short Form Report" the full CPR has to be a base document!

So the cure is to insist upon a full Technical and Valuation Report (fully compliant with Tables 1 from the CRIRSCO and IMVAL CODES) and then in the Short Form Report largely incorporating the points raised under (B) on page 241 which appear to be drawn from the requirements of NI43-101.

The NI43-101F1 Form which sets out the contents of the Technical Report, requires that an economic analysis of the project is included in the Technical Report. Providing NPV, IRR and sensitivities does not imply a valuation for the project. However, the norm is to report the NPV at a 6% real discount rate (for comparative purposes).

A summary disclosure should only be accepted in a public document if it is backed up with a full technical and valuation report (a CPR).

Question 91: Should we permit registrants to treat multiple mines with interrelated mining operations as one mining property, as proposed? Should we instead require registrants to treat such mines as separate properties? Why or why not?

Each material operation must be reported upon in keeping with the questions 3 - 8.
Where multiple mines are ring-fenced for tax purposes, or multiple mines feed a single concentrator, these should be reported as one mining property.

Question 92: Should we exclude registrants with only one mining property from the summary disclosure requirements, as proposed? Why or why not? Alternatively, should we use a different threshold than the proposed "only one" threshold for excluding a registrant from the summary disclosure requirements? If so, what threshold should we use and why would this threshold be more appropriate?
No, if it is material it must be reported upon.
A summary disclosure should only be accepted in a public document if it is backed up with a full technical and valuation report (a CPR). This is irrespective of single/multiple properties

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Question 93: Regarding the proposed summary disclosure requirement for the 20 largest properties, should we require other information, in addition to or in lieu of the proposed items? Why or why not? For example, should we require the registrant to disclose the asset value of each property included in its summary disclosure? Should we revise the proposed form and content of Table 2? If so, how should we revise the table's form or content?
No, see answer to 92.
Invariably the valuation in the summary disclosure will be based on a sum of the parts of the indivdual properties.
Table 2 is a useful summary for inclusion in a summary disclosure, but not necessary in a full report (CPR).

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Question 94: Should the presentation of information about the mining properties with the largest asset values include the 20 largest properties, as proposed? Should this number be higher or lower? If so, what number is appropriate? Why? Should the summary disclosure include only those properties that represent 5% or more in asset value? Should we permit the summary disclosure to omit any property that represents 1% or less in asset value? Alternatively, should we require the specified information based on some criteria (e.g. revenues) other than asset value?
No limit to 20 as materiality is the test.
If you include all properties that represent 5% or more of the asset value, the "20 largest properties" becomes irrelevant.
If the materiality test is set at >10% impact on value, it is then not possible to include the 20 largest properties.

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Question 95: Should we require summary disclosure to include information on mineral resources and reserves, as proposed? Why or why not? If mineral resources and reserves are required in summary disclosure, should we require their disclosure by class of mineral reserves (probable and proven) and resources (inferred, indicated and measured), together with total mineral reserves and total measured and indicated mineral resources, as proposed? Should we require the summary disclosure by commodity and geographic area or property containing 10% or more of mineral reserves or sum of measured and indicated mineral resources, as proposed? Why or why not? In particular, is the proposed instruction to Table 3 regarding the scope of geographic area to be disclosed sufficiently clear, and if not, how should it be clarified? Should we require disclosure of mineral reserves and resources by some other attribute (e.g., segments), in addition to or in lieu of commodity and geographic area? If so, which attributes should we use and why? Should we revise the proposed form and content of Table 3? If so, how should we revise the table's form or content?
No, see answer to question 90.
The summary table of assets (Appendix 1) and summary table of reserves and resources (Appendix 3) as set out in the AIM Mining Guidance should be considered.
An important consideration not included in Table 3 (p 128) is the percentage that is attributable to the registrant.
All stated resources and reserves should comply with the reqirements of CRIRSCO template. Table 3 does not provide space for tonnage, grade and contained metal.

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Question 96:Should we require the disclosure in Tables 2 and 3 to be made available in the eXtensible Business Reporting Language (XBRL) format? Why or why not?
I don't understand

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Question 97: If we require the disclosure in Tables 2 and 3 to be made available in XBRL, are the current requirements for the format and elements of the tables suitable for tagging? If not, how should they be revised? In particular, are the proposed instructions for Tables 2 and 3 sufficiently specific to make the data reported in the tables suitable for direct comparative analysis? If not, how should the instructions be revised to increase the usefulness of having the data made available in XBRL, including the comparability and quality of XBRL data?
I don't understand

132

Question 98: If we require Tables 2 and 3 to be made available in XBRL, is there a particular existing taxonomy that should be used? Alternatively, what features should a suitable taxonomy have in this case?
I don't understand

2. Requirements for Individual Property Disclosure

133

Question 99: Should we require disclosure on individually material properties, as proposed? Why or why not? Should such disclosure require a description of the property, a history of previous operations, a description of the condition and status of the property, a description of any significant encumbrances to the property, a summary of the exploration activity for the most recently completed fiscal year, a summary of material exploration results for the most recently completed fiscal year, and a summary of all mineral resources and reserves, if mineral resources or reserves have been determined, as proposed?

Yes. This question asked for clarity on content. Either you adopt the Table 1 requirements of CRIRSCO (recommended) together with Table 1 from the valuation codes but the answer to the specific question is Yes these things should be disclosed in a Long Form Report first before being incorporated into a summary.

There needs to be a balance between material information and the size/volume of the full technical/valuation report.

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The general guidance for a NI43-101 Technical Report is a report of around 100 pages, perhaps 120 pages. For a multi-property company, this would increase.

The technical/valuation report should disclose all relevant information, to a sufficient level of detail, so that an informed reader can draw a similar conclusion.

It is not necessary to replicate all underlying data, workings and details.

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Question 100: Should we require that a registrant provide the property's location, including in maps, accurate within one mile? Why or why not? If not, should we use a standard for degree of accuracy similar to that used in the CRIRSCO-based codes, such as PERC or SAMREC? Why or why not? If not, what level of accuracy should we require?

Yes, see answer to question 99. The level accruacy has been raised above.

All maps and diagrams should have a bar scale for reference. Accuracy to within one mile is not relevant.

Question 101: Should we require that a registrant provide in tabular format each of the summaries required for its exploration activity, material exploration results, and mineral resources and mineral reserves, as proposed? Should we require all the information specified in Tables 4-8 to be in tabular form?

The principles based approach should be followed as per CRIRSCO, and not be too prescriptive.

There needs to be a balance between material information and the size/volume of the full technical/valuation report. Excessive use of tabular summaries will exacerbate this.

Most of the disclosure requirements are already covered by Table 1 of SAMREC. Use this as the basis for disclosure, without reinventing the wheel.

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Question 102: Should we permit registrants to disclose estimates of mineral resources and reserves based on different price criteria, which may reasonably be achieved, in lieu of, or in addition to, the price which is no higher than the 24-month trailing average? Why or why not? What factors should we use to determine what may reasonably be achieved? Should we require all registrants to use the 24-month average spot price (or average over a different period) as the commodity price instead of as a ceiling? Why or why not?

No, we recommend disclosure only based on the observable inputs as defined in the modifying factors. This facilitates the alignment with accounting standards where the concept of " at a point in time" reporting is a principle.

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Yes. Should move away from the trailing average price approach!

It is good practice to disclose prices used to estimate the resources and reserves (R&R), as well as the impact on the R&R if the price(s) change.

Question 103: Should we require the registrant to provide a comparison of the mineral resources and reserves as of the end of the last fiscal year against the mineral resources and reserves as of the end of the preceding fiscal year, with an explanation of any material change between the two, as proposed? Why or why not? Are there items of information that we should include in the comparison instead of or in addition to the proposed items of information? Are there any proposed items of information that we should exclude from the comparison?

Yes a comparison should be required.

A comparison is not sufficient. The reasons for the changes need to be properly disclosed, so that a material balance in terms of ore and metal content movements is disclosed.

Question 104: If the registrant has not previously disclosed material exploration results, mineral reserve or resource estimates in a filing with the Commission or is disclosing material changes to its previously disclosed exploration results, mineral reserve or mineral resource estimates, should we require it to provide a brief discussion of the material assumptions and criteria in the disclosure and cite to any sections of the technical report summary, as proposed? Should we require registrants to file updated summary technical reports to support disclosure of material exploration results, mineral resources or mineral reserves when the registrant is relying on a previously filed technical report summary that is no longer current with respect to all material scientific and technical information, as proposed? Why or why not?

147

If a new resource disclosure is presented by a registrant then a full report must be required.

If the change to previous disclosure is material (i.e. >10%), a full report is required.

Question 105: Regarding the proposed requirement to disclose a material change in mineral resources or reserves, should we adopt an instruction that an annual change in total resources or reserves of 10% or more, or a cumulative change in total resources or reserves of 30% or more in absolute terms, excluding production as reported in Tables 7 and 8, is presumed to be material, as proposed? Why or why not? If not, should we remove the materiality presumptions altogether or use different quantitative thresholds from those proposed? If the latter, what alternative thresholds or measure(s) should replace the proposed presumptions of materiality?
Materiality should be the overriding principle to report any changes.

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Question 106: Should we require the disclosure in Tables 4 through 8 to be made available in the XBRL format? Why or why not?

Don't understand, what is XBRL format?

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Question 107: If we require the disclosure in Tables 4 through 8 to be made available in XBRL, are the current requirements regarding for the format and elements of the tables suitable for tagging? If not, how should they be revised? In particular, are the proposed instructions for Tables 4 through 8 sufficiently specific to make the data reported in the tables suitable for direct comparative analysis? If not, how should the instructions be revised to increase the usefulness of having the data made available in XBRL, including the comparability and quality of XBRL data?
Dont understand.

Question 108: If we require Tables 4 through 8 to be made available in XBRL, is there a particular existing taxonomy that should be used? Alternatively, what features should a suitable taxonomy have in this case?
Don't understand.

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3. Requirements for Technical report Summaries

Question 109: Should we require the qualified person to include in a technical report summary the 26 items, as proposed? Are there any items of information that we should include instead of or in addition to the proposed 26 sections of the technical report summary? Are there any items of information that we should exclude from the proposed technical report summary?
See answer to question 90, typicall for a transaction a full report should be required but the summary report content could be for annual filings.
These are similar to the NI43-101 format for a Technical report. Also covered in Table of SAMREC and Table 1 of SAMVAL.
Whether in summary or full report, all these technical disciplines should be covered and sufficient disclosure given.

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Question 110: As previously noted, the qualified person would have to apply and evaluate relevant modifying factors to assess prospects of economic extraction or to convert measured and indicated mineral resources to proven or probable mineral reserves. These would include a variety of factors such as economic, legal, and environmental as discussed more fully above. For example, to apply and evaluate legal factors the qualified person must examine the regulatory regime of the host jurisdiction to establish that the registrant can comply (fully and economically) with all laws and regulations (e.g., mining; environmental, including regulations governing water use and impacts, waste management, and biodiversity impacts; reclamation; and permitting regulations) that are relevant to operating a mineral project using existing technology. Should we expand proposed Item 601(b)(96)(iv)(B)(19)(vi) to provide additional specific examples, in addition to those set forth in Items 601(b)(96)(iv)(B)(19)(i)-(iv), of "issues related to environmental, permitting and social or community factors" that the qualified person must include in the technical report summary? For example, should we expressly require that the qualified person include a discussion of other sustainability issues such as how he or she considered issues related to managing greenhouse gas emissions or workforce health, safety and well-being? Are there other items for which it would be appropriate to require the qualified person to include a discussion in the technical report summary? If so, please provide examples and explain why.
If the QP is forced to adhere to the preparation of a Technical and Valuation Report using the CRIRSCO tables and item 60 sections are aligned to them this question is irellevant. We will suggest a simplification of the items as the current numbering is cumbersome.
Most QPs are not legal experts, and would have to place reliance on an independent legal report to confirm legal right of tenure.
Contrary to the discussion on pp158/159, a QP should state what reliance is placed on third parties. This would also include independent price forecasts.

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Question 111: Should we require, as proposed, a qualified person who prepares a technical report summary that reports the results of a preliminary or final feasibility study to provide information for all 26 items? If not, which items should not be required? Should we require, as proposed, a qualified person who prepares a technical report summary that reports the results of an initial assessment to provide, at a minimum, the information specified in paragraphs (iv)(B)(1) through (13) and (iv)(B)(22) through (26) of proposed Item 601(b)(96)?
We don't like the concept of the initial assessment, either it is a material asset that needs to be reported upon or it isnt.

Any disclosure based on a prefeasibility or feasibility study would have to cover all 26 items, to a level of detail approproiate for the study completed.
Even an initial assessment will have considered most of the 26 items, and the assumed modifying/technical factors should be disclosed.

160/161

Question 112: The proposed rules would permit a qualified person who prepares a technical report summary that reports the results of an initial assessment to use mineral resources in economic analysis (and provide the information specified in paragraph (iv)(B)(21) of proposed Item 601(b)(96)). Should we permit a qualified person to do so if he or she wishes?

See answer to 111. the economic analysis should fall under a separate set of guidelines which are consistent with the requirements of the IMVAL family of valuation codes. If you wish to have an economic analysis then you could adopt the Canadian " Preliminary Economic Assessment" concept which would provide "Evaluation" rather that a "Valuation". In any case this work should be undertaken by a qualified valuator (QV).

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Question 113: Should we require a qualified person who prepares a technical report summary that reports material exploration results to provide, at least, the information specified in paragraphs (iv)(B)(1) through (11) and (iv)(B)(22) through (26) of proposed Item 601(b)(96), as proposed?

See answers above.

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Question 114: Should we preclude a qualified person from disclaiming responsibility if he or she relies on a report, opinion, or statement of another expert who is not a qualified person in preparing the technical report summary, as proposed? Why or why not?

No disclaimers should be allowed as is standard practice in most mining Jurisdictions.
Most QPs are not legal experts, and would have to place reliance on an independent legal report to confirm legal right of tenure.

Question 115: Should we require that the technical report summary not include large amounts of technical or other project data, either in the report or as appendices to the report, as proposed? Why or why not? Should we require a qualified person to draft the technical report summary to conform, to the extent practicable, with plain English principles under the Securities Act and Exchange Act, as proposed?

The question of content should be guided by the item 601 and (B) page 241 and the content left to the QP. Our recommendation is not to dictate report Style or form.
There needs to be a balance between material information and the size/volume of the full technical/valuation report.
The general guidance for a NI43-101 Technical Report is a report of around 100 pages, perhaps 120 pages. For a multi-property company, this would increase.

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4. Requirements for Internal Controls Disclosure

Question 116: Should we require registrants to describe the internal controls that they use to help ensure the reliability of their disclosure of exploration results and estimates of mineral resources and mineral reserves, as proposed? Should we require that such internal controls disclosure address quality control and quality assurance programs, verification of analytical procedures, and comprehensive risk inherent in the estimation, as proposed? Are there other items, in addition to or in lieu of those proposed items, that should be included in such disclosure? Are there items that should be excluded from the proposed internal controls disclosure requirement? In each case, why or why not?

This is a good idea but perhaps this can be scooped up in the consent form as a item covered and considered by the QP and QV.
Internationally accepted Quality Assurance/Quality Control (QA/QC) procedures should be followed, and full disclsoure should be provided of the QA/QC procedures used during exploration, drilling, sampling, analytical testing, etc.

161

Question 117: Should we require registrants to describe the internal controls that they use to help ensure the reliability of their disclosure of exploration results and estimates of mineral resources and mineral reserves, as proposed? Should we require that such internal controls disclosure address quality control and quality assurance programs, verification of analytical procedures, and comprehensive risk inherent in the estimation, as proposed? Are there other items, in addition to or in lieu of those proposed items, that should be included in such disclosure? Are there items that should be excluded from the proposed internal controls disclosure requirement? In each case, why or why not?

See above.
See answer to 116.

H Conforming changes to certain forms

1. Form 20-F

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Question 118: Should we amend Form 20-F to conform it to the disclosure requirements of subpart 1300 of Regulation S-K and Item 601(b)(96), as proposed?

Yes.

Question 119: Should foreign private issuers that use or refer to Form 20-F for their SEC filings be subject to the same mining disclosure requirements as domestic mining registrants, as proposed? Why or why not? 164/165

Yes.

Question 120: Should we continue to permit Canadian issuers to provide disclosure under NI 43-101, as they are currently allowed to do pursuant to the foreign or state law exception, as an alternative to providing disclosure under the proposed rules? If so, what would be the justification for such differential treatment?

Yes, but we recommend the SSC move to align the contents of NI43-101 to CRIRSCO. 168

2. Form 1-A

Question 121: Should we amend Form 1-A to require Regulation A issuers engaged in mining operations to refer to, and if required, provide the disclosure under subpart 1300 of Regulation S-K, in addition to any disclosure required by Item 8 of that Form, as proposed? Why or why not? Alternatively, should the disclosure requirements in proposed subpart 1300 apply to only some Regulation A issuers (e.g., Regulation A issuers in Tier 2 offerings)? Should we instead exempt all Regulation A issuers from the proposed subpart 1300 disclosure requirements?

Not familiar with Form 1-A 169

Question 122: In lieu of imposing full subpart 1300 disclosure requirements on Regulation A issuers, should we limit, in whole or in part, the proposed subpart 1300 disclosure requirements for issuers in Regulation A offerings? If so, should these requirements be limited only for issuers in Tier 1 offerings? Why or why not? Further, which provisions of proposed subpart 1300 should, and should not, apply to issuers in Regulation A offerings? For example, should we require compliance with Item 1302's requirement to file the technical report summary as an exhibit only in Tier 2 offerings?

See answer to 121 169

Question 123: Would limiting disclosure of the information required under proposed subpart 1300 for issuers in Regulation A offerings increase the risk of inaccurate disclosure in such offerings or otherwise increase risks to investors?

See answer to 121

IV ECONOMIC ANALYSIS 172

Question 124: We seek comment and data on the magnitude of the costs and benefits identified as well as any other costs and benefits that may result from the adoption of the proposed rules. In addition, we are interested in views regarding these costs and benefits for particular types of covered registrants, such as smaller registrants or registrants currently reporting according to CRIRSCO-based disclosure codes.

The cost in our opinion should be negligable to comply. CRIRSCO reporting companies should have limited costs and the one off move by non CRIRSCO companies should not be to own risk.

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Question 125: We seek information that would help us quantify compliance costs. In particular, we invite comment from registrants or other mining companies that have had experience reporting under any of the CRIRSCO-based disclosure codes. For example, what are the costs associated with the qualified person requirement? If reporting in Canada or Australia, what are the costs associated with producing and filing the technical report summaries?

This is client confidential information. 173

For an IPO, the cost of preparing a technical report (CPR) is perhaps 10% of the total costs incurred by the registrant to achieve a listing.

The costs of the IPO include those of sponsoring broker, corporate finance advisor, reporting accountants, legal advisors, exchange/listing fees.

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Question 126: We invite comment on the structure of compliance costs. In particular, to what extent are the compliance costs fixed versus variable? Are there scale advantages or disadvantages in the compliance costs, both in terms of project size or company size?

No comment.

Question 127: Are our estimates of the difference in costs of a pre-feasibility study relative to a feasibility study reasonable? If not, what would be more reasonable estimates of the difference in costs? 220

No comment.
These are correct in terms of extent of engineering design to be completed. As regards costs, this depends on many factors and generalisation is not possible.

Question 128: We also seek comment on the alternatives to the proposed rules discussed in this section, and to the costs and benefits of each alternative. Are there any other alternatives that we should consider in lieu of the proposed rules? If so, what are those alternatives and what are their expected costs and benefits?
The cost benefit is global alignment.

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Question 129: We are interested in comments and data related to any potential competitive effects from the proposed rules. In particular, we are interested in evidence and views on the current global competitive situation of U.S. mining registrants as well as the attractiveness of U.S. securities markets for foreign mining companies. To what extent does the current mining disclosure regime affect this competitive situation, if at all? Would the proposed rules improve the global competitiveness of U.S. mining registrants and securities markets? If so, how?
Global alignment is not a competitive issue and should lead to standardize reporting and we welcome it.