

**COMPANION POLICY 43-101CP
TO NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS**

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PART 1 PURPOSE AND DEFINITIONS

- 1.1** **Purpose** - This companion policy sets out the views of the Canadian Securities Administrators (the "CSA") as to the manner in which certain provisions of National Instrument 43-101 (the "Instrument") are to be interpreted and applied.
- 1.2** **Evolving Industry Standards and Modifications to the Instrument** - Mining industry practice and professional standards are evolving in Canada and internationally. The Canadian securities regulatory authorities will monitor developments in these fields and will solicit and consider recommendations from their staff and external advisers, from time to time, as to whether modifications to the Instrument are appropriate.
- 1.3** **Application of the Instrument** - The Instrument does not apply to disclosure concerning petroleum, natural gas, bituminous sands or shales, groundwater or other substances that do not fall within the meaning of the term "mineral resource" in section 1.3 of the Instrument. The Instrument establishes standards for all oral statements and written disclosure of scientific and technical information regarding mineral projects, including disclosure in news releases, prospectuses and annual reports, and requires that the disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person. In the circumstances set out in section 5.3 of the Instrument, the technical report that is required to be filed must be prepared by a qualified person who is independent of the issuer, the property and any adjacent property.
- 1.4** **Mineral Resources and Mineral Reserves Definitions** - The Instrument incorporates by reference the definitions and categories of mineral resources and mineral reserves as set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves Definitions and Guidelines (the "CIM Standards") adopted by the CIM Council on August 20, 2000. These definitions, together with guidance on their interpretation and application prepared by the CIM, are reproduced in the Appendix to this Companion Policy. Issuers, qualified persons and other market participants are encouraged to consult the CIM Standards for guidance.

Any changes made by the CIM to these definitions in the future will automatically be incorporated by reference into the Instrument.

1.5 Non-Metallic Mineral Deposits - Issuers making disclosure regarding the following commodities are encouraged to follow these additional guidelines:

- (a) Industrial Minerals - For an industrial mineral deposit to be classified as a mineral resource, there should be recognition by the qualified person preparing the quantity and quality estimate that there is a viable market for the product or that a market can be reasonably developed. For an industrial mineral deposit to be classified as a mineral reserve, the qualified person preparing the estimate should be satisfied, following a thorough review of specific and identifiable markets for the product, that there is, at the date of the technical report, a viable market for the product and that the product can be mined and sold at a profit.
- (b) Coal - Technical reports on coal resources and reserves should conform to the definitions and guidelines of Paper 88-21 of the Geological Survey of Canada: A Standardized Coal Resource/Reserve Reporting System for Canada, as amended, supplemented or replaced; and
- (c) Diamonds - Technical reports on the resources and reserves of diamond deposits should conform to the Guidelines for Reporting of Diamond Exploration Results, Identified Mineral Resources and Ore Reserves, published by the Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories, as amended, supplemented or replaced.

1.6 Objective Standard of Reasonableness

- (a) The Instrument requires the application of an objective standard of reasonableness in determining such things as whether a statement constitutes "disclosure" and is thereby subject to the requirements of the Instrument. Where a determination turns on reasonableness, the test is an objective, rather than subjective one in that it turns on what a person acting reasonably would conclude. It is not

sufficient for an officer of an issuer or a qualified person to determine that he or she personally believes the matter under consideration. The person must form an opinion as to what a reasonable person would believe in the circumstances. Formulating the definitions using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to a person's application of the definition in particular circumstances.

- (b) The definition of "preliminary feasibility study" and "pre-feasibility study" requires the application of an objective test. For a study to fall within the definition, the considerations or assumptions underlying the study must be reasonable and sufficient for a qualified person, acting reasonably, to determine if the mineral resource may be classified as a mineral reserve.

PART 2 DISCLOSURE

- 2.1 Disclosure is the Responsibility of the Issuer** - Primary responsibility for public disclosure remains with the issuer and its directors and officers. The qualified person is responsible for preparing the technical report and providing scientific and technical advice in accordance with applicable professional standards. The proper use, by or on behalf of the issuer, of the technical report and other scientific and technical information provided by the qualified person is the responsibility of the issuer and its directors and officers. The onus is on the issuer and its directors and officers and, in the case of a document filed with a regulator, each signatory of the document, to ensure that disclosure in the document is consistent with the related technical report or advice. Issuers are strongly urged to have the qualified person review disclosure that summarizes or restates the technical report or the technical advice or opinion to ensure that the disclosure accurately reflects the qualified person's work.

- 2.2 Use of Plain Language** - Disclosure made by or on behalf of an issuer regarding mineral projects on properties material to the issuer should be understandable. Written disclosure should be presented in an easy to read format using clear and unambiguous language. Wherever possible, data should be presented in table format. The CSA recognize that the technical report required by the Instrument is a document that does not lend itself

well to a "plain language" format and therefore urge issuers to consult the responsible qualified person when restating the data and conclusions from a technical report in plain language for use in other public disclosure.

2.3 Prohibited Disclosure

- (1) Paragraph 2.2(c) of the Instrument prohibits the addition of inferred mineral resources to the other categories of mineral resources. Issuers are cautioned not to show a sum of mineral resources, or to refer to an aggregate number of mineral resources that includes inferred mineral resources.
- (2) Issuers are reminded that any disclosure of a target of further exploration pursuant to subsection 2.3(2) or a preliminary assessment pursuant to subsection 2.3(3) must be based on information prepared by or under the supervision of a qualified person.

2.4 Materiality

- (1) Materiality should be determined in the context of the particular issuer's overall business and financial condition taking into account quantitative and qualitative factors. Materiality is a matter of judgment in the particular circumstances and should be determined in relation to the significance of the information to investors, analysts and other users of the disclosure.
- (2) In assessing materiality, issuers should refer to the definition of "material fact" in securities legislation, which in most jurisdictions means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities of the issuer.
- (3) Materiality of a property should be assessed in light of the extent of the interest in the property held, or to be acquired, by the issuer. A small interest in a sizeable property may, in the circumstances, not be material to the issuer.
- (4) In assessing whether interests represented by multiple claims or other documents of title constitute a single property for the purpose of the Instrument, issuers should be guided by the reasonable understanding and expectations of investors.

- (5) Subject to developments not reflected in the issuer's financial statements, for purposes of the Instrument, a property will generally not be considered material to an issuer if the book value of the property, as reflected in the issuer's most recently filed financial statements or the value of the consideration paid or required to be paid for the property, including exploration expenditures required to be made during the next 12 months, is less than 10 percent of the book value of the total of the issuer's mineral properties and related property, plant and equipment.

- 2.5 Material Information not yet Confirmed by a Qualified Person -** Issuers are reminded that they have an obligation under securities legislation to disclose material facts and to make timely disclosure of material changes. The Canadian securities regulatory authorities recognize that there may be circumstances in which the issuer expects that certain information concerning a mineral project may be material notwithstanding the fact that a qualified person has not prepared or supervised the preparation of the information. In this situation the Canadian securities regulatory authorities suggest that issuers file a confidential material change report concerning this information while a qualified person reviews the situation. Once a qualified person has confirmed the information, a the issuer may issue a news release and the basis of confidentiality will end.
- 2.6 Exception in Section 3.5 of the Instrument -** Section 3.5 of the Instrument provides that the disclosure requirement of sections 3.3 and 3.4 of the Instrument may be satisfied by referring to a previously filed document that includes the required disclosure. Issuers relying on this exception are reminded that all disclosure should provide sufficient information to permit market participants to make informed investment decisions and should not present or omit information in a manner that is misleading.
- 2.7 Meaning of Current Technical Report -** In the view of the CSA, the "current technical report" referred to in sections 4.2 and 4.3 of the Instrument is a technical report that contains all information required under the Form 43-101F1 in respect of the subject property as at the date on which the technical report is filed. A technical report may constitute a current technical report, even if prepared considerably before the filing date, if the information in the technical report remains accurate and does not omit materially new information as at the date of filing.

- 2.8 Exceptions from Requirement for Technical Report with Annual Information Form, Annual Report and Preliminary Short Form Prospectus if Information Previously Disclosed** - If an issuer has disclosed scientific and technical information on a mineral property in a disclosure document (as defined in section 1.2 of the Instrument), or in a technical report prepared in accordance with National Policy No. 2-A filed before February 1, 2001, the issuer will not be required to prepare and file a technical report with the issuer's annual information form, annual report or preliminary short form prospectus, unless the annual information form, annual report or preliminary short form prospectus contains new and material scientific and technical information about that mineral property.

PART 3 AUTHOR OF THE TECHNICAL REPORT

- 3.1 Selection of Qualified Person** - It is the responsibility of the issuer and its directors and officers to appoint a qualified person with experience and competence appropriate for the subject matter of the technical report.
- 3.2 Qualified Person** - Section 2.1 of the Instrument requires that all disclosure be based upon a technical report or other information prepared by or under the supervision of a qualified person and section 5.1 of the Instrument provides that a technical report must be prepared by or under the supervision of one or more qualified persons. The Canadian securities regulatory authorities recognize that certain individuals who currently provide technical expertise to issuers will not be considered qualified persons for purposes of the Instrument. These individuals may have the necessary experience and expertise but may lack the professional accreditation because of differences in provincial registration requirements or for other reasons. Application can be made by an issuer under section 9.1 of the Instrument for an exemption from the requirement for involvement of a qualified person and the acceptance of another person. The application should demonstrate the person's competence and qualification to prepare the technical report or other information in support of the disclosure despite the fact that he or she is not a member of a professional association or otherwise does not meet the requirements set out in the definition in the Instrument of qualified person.

3.3 Independence of Qualified Person

- (1) Paragraph 1.5(4)(c) of the Instrument provides that a qualified person is not considered to be independent of the issuer if the qualified person, or any affiliated entity of the qualified person, owns or by reason of an agreement, arrangement or undertaking expects to receive any securities of the issuer or an affiliated entity of the issuer or an interest in the property that is the subject of the technical report. The Canadian securities regulatory authorities recognize that issuers undergoing restructuring may settle outstanding debt to a qualified person with securities. In these circumstances, an issuer may apply for an exemption under section 9.1 of the Instrument to preserve the independence of the qualified person with respect to the issuer.
- (2) There may be circumstances in which the staff at the securities regulatory authorities question the objectivity of the author of the technical report. The issuer may be asked to provide further information, additional disclosure or the opinion of another qualified person to address concerns about possible bias or partiality on the part of the original author.

PART 4 PREPARATION OF TECHNICAL REPORT

- 4.1 "Best Practices" Guidelines** - Issuers and authors shall follow the Mineral Exploration "Best Practices" Guidelines prepared on the recommendation of the TSE-OSC Mining Standards Task Force by a committee comprised of mining and exploration industry professionals and regulators. These Guidelines were published in June, 2000.

PART 5 USE OF INFORMATION

- 5.1 Use of Information** - The Instrument requires that technical reports be prepared and filed with Canadian securities regulatory authorities to support certain disclosure of mineral exploration, development and production activities and results in order to permit the public and analysts to have access to information that will assist them in making investment

decisions and recommendations. Persons and companies, including registrants, who wish to make use of information concerning mineral exploration, development and production activities and results including mineral resource and mineral reserve estimates are encouraged to review the technical reports that will be on the public file for the issuer and if they are summarizing or referring to this information they are strongly encouraged to use the applicable mineral resource and mineral reserve categories and terminology found in the technical report.

PART 6 PERSONAL INSPECTION

- 6.1 Personal Inspection** - Canadian securities regulatory authorities consider personal inspection particularly important because it enables the qualified person to become familiar with conditions on the property, to observe the geology and mineralization, to verify the work done, and on that basis to design or review and recommend to the issuer an appropriate exploration or development program. It is the responsibility of the issuer to arrange its affairs so that a property inspection can be carried out by a qualified person.
- 6.2 Exemption from Personal Inspection Requirement** - There may be circumstances in which it is not possible or beneficial for a qualified person to inspect the property. In such instances the qualified person or the issuer should apply in writing to the securities regulatory authority for relief, stating the reasons why a personal inspection is considered impossible or not beneficial. It would likely be a condition of any such relief that the technical report state that no inspection was carried out by a qualified person and provide reasons.
- 6.3 Responsibility of the Issuer** - The requirement set out in section 6.2 of the Instrument sets a minimum standard for personal inspection. The issuer should have property inspections conducted by one or more qualified persons as appropriate, taking into account the work being carried out on the property and the technical report being prepared by the qualified person or persons.

PART 7 REGULATORY REVIEW

7.1 Review

- (1) Disclosure and technical reports filed under the Instrument may be subject to review by Canadian securities regulatory authorities.
- (2) An issuer that files a technical report that does not meet the requirements of the Instrument will be in breach of securities legislation. The issuer may be required to issue or file corrected disclosure, file a revised technical report or file revised consents, and may be subject to other sanctions.