APPENDIX B
SUMMARY OF COMMENTS
RECEIVED ON PROPOSED NATIONAL INSTRUMENT 43-101,
COMPANION POLICY 43-101CP AND FORM 43-101F1
STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

The CSA received submissions from 47 commenters on the proposed Instruments, representing a wide spectrum of industry participants, including producing issuers, exploration issuers, consulting professionals, industry associations, councils, committees and exchanges.

The CSA appreciate the attention and care taken by the commenters in their submissions. The CSA gave serious consideration to the submissions received and revised the proposed Instruments to address concerns raised, as the CSA considered appropriate. The CSA thank all of the commenters for providing their comments.

The following is a summary of the comments received on the proposed Instruments, together with the CSA's responses, organized by topic. The summary begins with general comments on the proposed Instruments and follows with a review of the comments on the proposed National Instrument, the proposed Form and the proposed Companion Policy and the CSA's response reflected in the National Instrument, the Form and the Companion Policy as adopted.

GENERAL COMMENTS

Most of the commenters were supportive of the scope and general content of the proposed Instruments, agreeing that the proposed Instruments will significantly enhance the quality and reliability of public disclosure concerning mineral projects, as well as improve the confidence of the investing public. In particular, commenters expressed support for:

- clearer and upgraded disclosure;
- qualified person eligibility and mandatory involvement;
- mandatory use of standardized terminology;
- references to Best Practices guidelines produced by industry associations; and
- the respective responsibilities of the issuers and their management and of qualified persons.

Many commenters considered the proposed Instruments much improved from the first drafts of the proposed Instruments that were published in July 1998 and from NP 2-A. Some of these commenters expressed serious concerns about certain aspects of the proposed Instruments, but for the most part, comments were directed at clarifying and improving the proposed Instruments.

However, a minority of commenters suggested that the proposed Instruments should not be adopted, expressing the following views:

- The proposed Instruments will not prevent fraud, but will hobble the exploration industry and burden it with excessive costs;

- Redirecting funds away from drilling to regulatory compliance reduces chances for exploration success;
- The market has learned a lesson from recent incidents; analysts are making demands for verification in appropriate circumstances;
- There are renowned explorationists who do not meet the definition of a qualified person;
- The proposed Instruments encroach on matters that should be left to the purview of scientific and technical professional organizations that are equipped to recommend "best practice" guidelines as they evolve from time to time, rather than codifying them into required practice;
- The proposed Instruments are an over-reaction to recent incidents and hold issuers in the mining industry and their management to higher standards, and subject them to a greater risk of liability, than issuers and management in other industries;
- The proposed Instruments do nothing to address problems created by analysts who are not qualified persons, yet are allowed to write speculative reports on mineral projects based on little information; and
- Greater emphasis should be placed on investor education and warnings.

The CSA appreciate the sincerity of these views. However, the CSA remain of the view that the Instruments are an important and necessary step in improving the credibility of disclosure and investor confidence in the capital markets, to the ultimate benefit of both investors and the mining industry as a whole.

One of the commenters stated its view that the proposed Instruments are a vast improvement over existing guidelines and rules. In the commenter's view, nothing will prevent outright fraud, but the proposed Instruments will help avoid scandals where misleading, incomplete and overzealous press releases and other disclosure statements lead to losses by innocent investors. The commenter acknowledged that the increased cost of complying with the proposed Instruments may be significant for some, but supported the higher standard of disclosure and was of the belief that there would be a net benefit to the mining industry as a result of improved investor confidence. The CSA agree with this comment.

The comments concerning the role of analysts raise an important issue. This issue is beyond the scope of the Instruments, as it is not limited to the mining industry. This issue is being addressed by the Securities Industry Committee on Analysts' Standards, a joint committee of The Toronto Stock Exchange, the Canadian Venture Exchange and the Investment Dealers Association, as a separate initiative.

The CSA place great importance on investor education. However, they do not share the view expressed by one commenter that "Buyer Beware" is an appropriate substitute for securities regulation. Many of the securities regulatory authorities are pursuing investor education initiatives in their own jurisdictions.

A commenter expressed concern that the potential effects of the proposed Instruments may not have been adequately considered by issuers in the mining industry, in view of their focus, through industry associations, on mineral reserve and mineral resource definitions. The commenter recommended that additional time be provided for comment. Other commenters

expressed satisfaction with the consultation process, although one commenter expressed displeasure with respect to the consultation process in the commenter's jurisdiction where the proposed Instruments were not published. The CSA regret the commenter's experience but believe that in this instance there was a considerable degree of industry awareness of the proposals across Canada.

The CSA place great importance on public comment, and note that they have sought and considered public comment on the Instruments for over two years. Proposed drafts of the Instruments were initially published for comment July 3, 1998, and were published for comment for a second time on March 24, 2000. Moreover the issues addressed by the Instrument were also addressed by the OSC/TSE Mining Standards Task Force ("MSTF") in their interim report published for comment in June 1998, and their final report published in January 1999 (the "MSTF Report").

Some commenters recommended the establishment of an external committee to review certain matters arising in connection with the proposed Instruments and the effectiveness of the proposed Instruments. As described in the Notice, the CSA will establish an external advisory committee to monitor the application of the Instruments and to advise the CSA on industry and professional developments, and on modifications that might be appropriate, from time to time, to the terms or application of the Instruments.

NATIONAL INSTRUMENT 43-101

PART 1 APPLICATION, DEFINITIONS AND INTERPRETATION

1. Section 1.1 Application

Some commenters expressed concern that the applicability of the National Instrument to valuations would be misunderstood. They requested that this section contain clarification that: (i) the National Instrument does not mandate the manner in which a valuation report may be prepared or establish standards for valuation reports; and (ii) the National Instrument requires that mining information contained in a valuation report be supported by information contained in a technical report.

The CSA do not believe that the National Instrument supports the reading feared by the commenters and do not agree that such clarification is necessary in the National Instrument.

2. Section 1.2 Definitions - Definition of "adjacent property"

A commenter was concerned that the two kilometre boundary test in the definition of "adjacent property" may not be appropriate in all instances, but should vary depending on the scale of the property and its stage of development. This comment had also been raised with respect to the previous draft of the proposed Instruments.

The definition of "adjacent property" was used in the proposed National Instrument for two purposes. One of the purposes was to determine whether or not a qualified person would be

considered not to be independent of the issuer where that is required by the National Instrument. For this purpose, the CSA require a clear geographic guideline. To avoid confusion, the term "adjacent property" is no longer used for this purpose. Instead, more detailed interpretation concerning independence is set out in subsection 1.5(e), which now specifically includes as an indicator of non-independence, the ownership of an interest in a property that has a boundary within 2 kilometres of the subject property as a basis on which a qualified person will not be considered to be independent of the issuer.

The second purpose of the term "adjacent property" was to permit disclosure of information in a technical report on a property that is not the subject property if, in the opinion of the qualified person authoring the technical report, the information is accompanied by certain required disclosure. The term "adjacent property" is now used exclusively for this purpose in the Instruments. The CSA agree that, for this purpose, a two kilometre limit may be inappropriate and have substituted reference to reasonable proximity.

3. (New) definition of "data verification"

The CSA have added a definition of data verification to the National Instrument at the suggestion of some commenters to clarify the scope of this obligation. The term "data verification" was chosen as it is a common industry term. (See also the comments relating to section 3.2 of the National Instrument.)

4. Definition of "development property"

A commenter requested that the word "demonstrated" be changed to "indicated" as in the commenter's view, the word demonstrated connotes absolute certainty which would be misleading.

The CSA are of the view that the phrase "economic viability … demonstrated by a feasibility study" reflects common industry usage and do not agree that the use of the word "demonstrated" will lead an investor to expect a guarantee of economic viability.

5. Definition of "disclosure"

A commenter suggested that the definition of "disclosure", being limited to disclosure that is intended or likely to be made public, is inconsistent with section 1.1 of the National Instrument which states that the National Instrument applies to all disclosure. The commenter suggested that the definition of "disclosure" be expanded to cover all disclosure that is actually made.

The CSA purposely limited the definition of "disclosure". The CSA do not intend the National Instrument to impose responsibility on issuers for unintended and unexpected information "leaks".

6. (New) definition of "disclosure document"

The CSA have added a new definition of "disclosure document" to the National Instrument. It is used in section 4.2 of the National Instrument in connection with the requirements for a technical report on a mineral project if disclosure has been made in one of the documents included in the definition of "disclosure document" prior to February 1, 2001, the effective date of the Instrument. Reference is made to the discussion of section 4.2 of the National Instrument below.

7. Definition of "exploration information"

A commenter pointed out that the definition of "exploration information" in the proposed National Instrument was inconsistent with section 1.4 of the proposed Companion Policy. The commenter noted that exploration information could not (i) be used to expand or develop an existing mineral resource, as the definition in the proposed National Instrument indicated; and (ii) exist before sufficient data is available to justify a mineral resource, as the proposed Companion Policy indicated. The commenter also questioned the propriety of including the reference to metallurgical information because it is a matter generally beyond the expertise of an exploration geologist.

The CSA recognize that exploration information may be material disclosure at any time during the life of a mineral project and, accordingly, the definition of "exploration information" should not be limited to information prior to the definition of a mineral resource. The CSA have deleted the phrase "or to expand or further develop an existing mineral resource or mineral reserve" in the definition of "exploration information" in the National Instrument as unnecessary. The CSA have also deleted section 1.4 of the Companion Policy as inconsistent and unnecessary.

The National Instrument retains the reference to metallurgical testing in the definition of "exploration information". The definition of "exploration information" is intended to encompass all of the types of information that may be generated in relation to the exploration of a mineral property, whether or not a particular person would be considered a qualified person with respect to each and every type of information generated. The CSA have added the word "mineralogical" to the types of information that may be generated during exploration.

8. Definition of "feasibility study"

The CSA received several comments objecting to the reference in the definition of "feasibility study" to the study being sufficient "for a qualified person experienced in mineral production activities, acting reasonably" to make a production decision. These commenters correctly pointed out that a production decision is the responsibility of an issuer's board of directors and not the responsibility of the qualified person that is the author of the technical report.

The CSA acknowledge the confusion and agree that the standard should be "sufficient detail that [the study] could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production". It is not necessary that a decision be made by a financial institution for a study to meet the definition.

The comment was received that the standard contained in the definition was inadequate for a feasibility study. Some commenters suggested that there be a more extensive definition, or even a form, of feasibility study, as there is no consensus in the industry as to the meaning of this term. Another comment was that the definition of "feasibility study" in the proposed National Instrument does not adequately reflect the level of effort required to produce a proper feasibility study. One commenter suggested a new term, "reserve assessment report", be used.

The CSA believe that the development of specific guidelines and standards for feasibility studies is a matter for professional and industry associations and not a matter for the CSA. The CSA are of the view that the standard now set out in the definition, which will interpreted in light of professional and industry practice, is appropriate for the purposes of the Instruments.

9. Definition of "geoscientist"

Several commenters suggested the deletion of the definition of "geoscientist" as unnecessary and inappropriate. These commenters pointed out that self-regulatory associations are the appropriate bodies to determine whether an individual is eligible to be considered a geoscientist and that this is consistent with the intent of the proposed National Instrument. The CSA agree with these comments and have deleted the definition of "geoscientist" from the National Instrument.

Other commenters were concerned that the definition of "geoscientist" would not be sufficiently flexible to encompass emerging disciplines in the geoscience field, and suggested that the definition be expanded. The CSA believe that these commenters' concerns are adequately addressed by the deletion of the definition.

10. Definition of "mineral project"

To conform to the definitions approved by the CIM, the term "substances" has been replaced with "material".

11. (New) definition of "preliminary assessment"

This definition was added in connection with the disclosure now permitted in section 2.3(3) of early stage property assessments, sometimes known in the industry as "scoping studies", that include economic evaluations that use inferred mineral resources under the conditions set out in that section.

12. Definition of "preliminary feasibility study" and "pre-feasibility study"

Comments received on the definition of "preliminary feasibility study" were similar to the comments received on the definition of "feasibility study". Commenters pointed out that there is no consensus in the industry as to the meaning of the term "preliminary feasibility study". Comment was also made that the definition of "preliminary feasibility study" in the proposed National Instrument does not adequately reflect the level of effort required to produce a proper preliminary feasibility study. A commenter suggested a new term, "reserve assessment report",

be used. Another commenter expressed the opinion that the definition of preliminary feasibility study, taken together with the definition of mineral reserve, is circular in that each term is defined by the other.

The CSA believe that the development of specific guidelines and standards for preliminary feasibility studies is a matter for professional and industry associations and not a matter for the CSA. The CIM have approved a definition of "preliminary feasibility study" and the definition in the National Instrument was revised to conform to the CIM definition. The CSA are of the view that the definition of "preliminary feasibility study", which will be interpreted in light of professional and industry practice, is appropriate for the purposes of the National Instrument. The CSA are satisfied, as the definitions of "preliminary feasibility study" and "mineral reserve" now stand, that the definition of each term provides a sufficient standard, and that each term is related to, but not defined by, the other.

A commenter suggested that the word "ore" be changed to "mineral". This change is reflected in the new definition.

Some commenters expressed the opinion that a preliminary feasibility study is insufficient to establish mineral reserves, and that a feasibility study should be required for the establishment of mineral reserves. A commenter added that because of the allowance for "reasonable assumptions" in a preliminary feasibility study, there has been no improvement in reserve classification over NP 2-A. The CSA recognize that there is a difference of opinion in the mining industry with respect to this matter. The CSA have adopted the view of the CIM in this regard.

A commenter noted that "preliminary feasibility study" and "pre-feasibility study" are synonymous terms that are used in the industry, and suggested that the National Instrument should refer to both. The CSA agree. Both terms are now covered by the National Instrument.

13. Definition of "producing issuer"

The definition of "producing issuer" was criticized by commenters that objected to the independent report exemption available, in certain circumstances, to producing issuers and their joint venture partners. The CSA have retained the exemption, and have therefore retained the definition. This matter is fully discussed in item 30 below concerning section 5.3 of the National Instrument.

14. Definition of "professional association"

Several commenters expressed concern that the definition of "professional association" will not permit persons to be qualified persons under the National Instrument if they are members of a self-regulatory association that has not been recognized by statute. The CSA are aware that there are certain foreign jurisdictions and some Canadian provinces and territories that do not have legislation providing for the licensure of geoscientists. A commenter suggested that the National Instrument should include a list of acceptable professional associations and that an issuer should be permitted to obtain an advance ruling as to whether a particular association is acceptable.

The CSA acknowledge that there will be circumstances in which it will be appropriate for issuers to retain engineers or geoscientists in foreign jurisdictions that may not have associations that meet the definition of "professional association" in the National Instrument. At this time the CSA is not sufficiently familiar with the circumstances in foreign jurisdictions to expand the definition of "professional association" to include associations that do not meet all the conditions of the definition. Issuers that retain persons that are not members of a "professional association" may apply for an exemption from the National Instrument with the relevant Canadian securities regulatory authorities. The CSA anticipate that they will consult with the external advisory committee with respect to such applications and with respect to the treatment of foreign associations that are non-compliant with the definition. Persons resident outside Canada that wish to be considered "qualified persons" also have the option of joining a Canadian-based professional association.

Other commenters remarked that the exemption for geoscientists in Canadian jurisdictions that do not currently have statutorily recognized self-regulatory associations in place was too broad and should be limited by requiring non-statutorily recognized self-regulatory associations to be members of the Canadian Counsel of Professional Geoscientists. The CSA noted that this would result in associations in some Canadian provinces being excluded from the exemption and decided against doing so.

Commenters stated that in the case of Ontario, one year, and in the case of other Canadian jurisdictions, two years, is a sufficient time for the exemption.

15. Definition of "qualified person"

Comments on the definition of "qualified person" covered the spectrum of views:

- It is inappropriate for regulators to define and require the involvement of a qualified person; this matter should be left entirely to the judgment of the issuer's management and market forces.
- The definition of "professional association" in the proposed National Instrument unduly restricts the definition of qualified person, especially with respect to retaining geoscientists from foreign jurisdictions that do not have legislation for the licensure of geoscientists.
- There should be very limited grounds for exemption from the requirements for a qualified person to be both experienced and subject to discipline, as the concept of a qualified person is considerably weakened without both aspects. The interim exemption for geoscientists in Canadian jurisdictions that do not have legislation that provides for the licensure of geoscientists is not appropriate, and it is not necessary because all existing self-regulatory associations allow extra-provincial registration and have the ability to discipline non-resident members.
- Persons who do not meet the qualified person requirements but who have qualifications to carry out qualified person duties because of experience and knowledge should be able to register for a lifetime exemption.
- A qualified person should be required to demonstrate that he or she has maintained an up-to-date understanding of advances in his or her field and is competent in current practices.
- Only engineers should be considered qualified persons.

The CSA remain convinced that the mandatory involvement of a qualified person, and the elements of qualification, are fundamental to achieving the purposes of the Instruments.

The CSA recognize that circumstances are likely to arise in which a person should be considered the equivalent of a qualified person for purposes of the Instruments, even if the person does not satisfy all of the conditions of the definition. In this case the issuer should make an application to the appropriate securities regulatory authorities for an exemption. This is a matter on which the CSA may consult the external advisory committee.

The CSA are of the view that issues of professional competence are properly within the purview of self-regulatory associations. In addition, the issuer must satisfy itself that the qualified person chosen is appropriate for the task at hand.

Several commenters pointed out that the definition of "qualified person" in the proposed National Instrument could be interpreted in a way that was overly restrictive with respect to required experience. The CSA agree and have reformatted the definition in the National Instrument to clarify that the person must have 5 years experience, which includes experience relevant to the subject matter of the mineral project and the technical report. As noted, it is the issuer's responsibility to choose an appropriate qualified person for the task at hand.

A commenter suggested that the "qualified person" should be responsible for the accuracy and validity of all reports, including those presented by officers, directors and other interested parties. The commenter suggested that the term "qualified person" should be changed to "responsible person" in order to better describe the person's function. Persons needed for advice outside the responsible person's area of expertise would be employees or associates of the responsible person, and no disclaimers would be allowed. The CSA do not agree with the shift of responsibility suggested by this commenter. The issuer and its management should retain appropriate responsibility for the issuer's affairs, including scientific and technical disclosure.

16. Proposal for (new) definition of "valuation report"

Some commenters requested that a definition of "valuation report" be added to section 1.2 of the proposed National Instrument. The CSA do not believe it is necessary to define this term for the purposes of the Instruments. See item 1, section 1.1 Application.

17. Sections 1.3 and 1.4 - Mineral Resource and Mineral Reserve

The CSA received many comments urging the CSA to adopt the standards for classification of mineral resources and mineral reserves recommended by the CIM. Commenters were of the view that it was appropriate that scientific and technical professional associations establish the standards for estimation and classification of mineral resources and mineral reserves. They considered this matter analogous to the reliance placed on the Canadian Institute of Chartered Accountants ("CICA") for generally accepted accounting principles ("GAAP").

The CSA are generally in agreement with deferring to scientific and technical professional associations in matters regarding professional practice. However, the CSA faced a problem in

this instance because at the time the proposed Instruments were published, there was no identifiable industry standard nor was there a consensus within the mining industry. Commenters themselves expressed differing views on the appropriate terminology. This problem arose from the fact that during the development of the Instruments the CIM was in the process of revising the mineral resource and mineral reserve definitions.

Several commenters were of the view that the CSA should adopt the most recent CIM Standing Committee recommendations, on the basis that the definitions adopted by the CIM Ad Hoc Committee did not reflect current industry practice or international standards. Another commenter was of the view that until those recommendations were approved by the CIM and adopted in final form, it would be inappropriate for CSA to adopt them. Other commenters did not give a clear indication of their preference as to which version of the CIM definitions CSA should adopt, but provided comments on the definitions in the proposed National Instrument which were modeled closely on the Ad Hoc definitions.

In view of the state of flux another commenter suggested that the JORC Code be used (with some minor adjustments), until new CIM definitions were approved by the CIM. Many commenters expressed concern with CSA's use of the Ad Hoc definitions as a starting point for the definitions used in the proposed National Instrument, although one commenter disagreed.

Another commenter commented that geostatistics is a scientifically flawed variant of applied statistics, and that applied statistics can support the reporting of mineral resources and mineral reserves with quantified confidence limits, notwithstanding the CIM's different views on the matter.

The CSA agree with the majority of commenters that mineral resource and mineral reserve terminology should be developed by mining industry professionals. The CSA kept in close contact with CIM to monitor its progress in the adoption of standard mineral resource and mineral reserve definitions. The CSA have carefully reviewed and provided comments to the CIM on its revised definitions.

On August 20, 2000, the CIM adopted new mineral resource and mineral reserve definitions, the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines. The CSA are satisfied that the definitions adopted are satisfactory for use in the Instruments and have incorporated these definitions, as they may be amended from time to time, by reference into the Instruments.

18. Section 1.5 Interpretation

Section 1.5 provides interpretation for identifying non-independence of a qualified person. A qualified person is not to be considered independent of an issuer if he or she has a relationship with the issuer or it affiliates.

One commenter questioned the use of a 50% equity threshold for purposes of defining control. This threshold was drawn from existing securities legislation governing parent, subsidiary and

other affiliated relationships between two issuers in securities legislation. This concept is relevant to a determination of non-independence of a qualified person.

Clause 4(a) has been reformatted at the suggestion of a commenter that requested clarification.

In response to a comment received, clause (4)(c) has been amended to clarify that either an ownership or a royalty interest in the subject property may render a qualified person non-independent of the issuer in respect of a technical report.

The CSA received conflicting comments on clause (4)(d). The CSA remain of the view that the clause appropriately balances competing concerns. A qualified person who is a sole practitioner or involved in a small or medium sized consulting firm and who is actively managing a work program may receive a substantial portion of his or her income from a particular issuer. This situation may continue if, for example, the issuer chooses to retain the same qualified person to continue work on further stages of the work program in light of the qualified person's experience and knowledge of the mineral property. However, the longer the situation prevails the less independent the relationship between the qualified person and the issuer becomes. If after three years the qualified person has received a majority of his or her income from an issuer, where independence is required, the issuer must retain another qualified person.

In response to a comment received, clause (4)(e) was added to provide that a qualified person is not independent of the issuer in respect of a technical report if he or she owns or expects to obtain, or is a director, officer or other insider of an issuer that owns or expects to obtain, an ownership or royalty interest in an adjacent property.

A commenter advised that it would not consider a qualified person independent if the qualified person was commenting on his or her own work. The CSA disagree with this as a general statement and are concerned that there may be some misunderstanding in this regard. The National Instrument requires the qualified person to be independent from the issuer for certain purposes. The National Instrument does not require that the qualified person be independent from his or her own work. This would lead to a requirement that the issuer hire two independent qualified persons at all times, one to do, and one to comment, on the work done. This is not the intent of the National Instrument.

A commenter suggested that the issuer disclose the amount of fees paid to a qualified person, because if the fees were excessive, the reliability of the qualified person's opinion may be in doubt. In view of the qualified person's professional and ethical obligations, the CSA do not consider such disclosure necessary.

PART 2 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

19. General Parts 2 and 3

In response to a commenter's question, the CSA wish to clarify that the disclosure in a technical report must comply with all relevant parts of the Instrument including Parts 2 and 3, in addition

to Form 43-101F1. If there is an overlap, the technical report must comply with the more stringent standard.

20. Section 2.2 All Disclosure of Mineral Resources or Mineral Reserves

Several commenters referring to subsection 2.2(b) expressed the view that the issuer should be required to net mineral reserves from mineral resources. The CSA have declined to make this change. It appears to the CSA that there is no consensus in the industry on this point. Accordingly, issuers will have the option to include mineral reserves in mineral resources or to net mineral reserves from mineral resources provided the issuer makes adequate disclosure of the practice it has followed. This is consistent with the recommendations in the MSTF Report.

Another commenter suggested that a statement of the relative risk between each of the categories and perhaps a measure of the absolute risk afforded by each category should be a requirement of each disclosure of mineral resources, mineral reserves and the evaluations that are based on them. The CSA are of the view that the definitions of these terms sufficiently address these matters.

21. Section 2.3 Prohibited Disclosure

Several commenters urged the CSA to amend this section to permit disclosure of potential quantity and grade of a possible mineral deposit that is to be the target of further exploration. They commented that:

- Investors want and need this information in order to make informed investment decisions.
- The assessment of the target will still be made by a qualified person.
- Disclosure would be made in a manner and using terms which clearly indicate the conceptual nature of the disclosure.
- If an issuer is not permitted to disclose the potential of the target for exploration:
  - it will make it difficult, if not impossible, for issuers to raise exploration funds,
  - it will lead to selective disclosure,
  - it will drive “predictions” underground, and
  - it will put investors who do not have the knowledge to understand the potential on their own at a disadvantage.
- The disclosure could include:
  - the basis for the estimate,
  - a statement that there is insufficient exploration to classify the deposit as a mineral resource, and
  - a statement that a mineral resource may not result from further exploration .

The CSA were persuaded by these comments and section 2.3 has been amended to permit written disclosure by issuers of potential quantity and grade of a possible deposit that is the target of further exploration on this basis.

A commenter was concerned with the prohibition in the proposed National Instrument of disclosure of early phase assessments of mineral projects that contain economic evaluations

based in whole or in part on inferred resources. The commenter noted that preliminary technical assessments or "scoping studies" are an important part of the project development cycle, and that issuers would continue to ensure that the mineral project has an opportunity to be viable but would not be permitted under the proposed National Instrument to disclose them.

The CSA were persuaded by this comment and have amended section 2.3 to permit written disclosure of preliminary assessments that contain economic evaluations based in whole or in part on inferred mineral resources, provided that the preliminary assessment is a material change or material fact, the disclosure includes a proximate cautionary statement, the basis for and the assumptions and qualifications of, the preliminary assessment, and a technical report is prepared and filed. Issuers that are reporting issuers in Ontario are also required under Ontario law to deliver the proposed disclosure, together with a copy of the preliminary assessment and technical report, to the Ontario regulator at least 5 days prior to the disclosure, and the regulator shall not have advised the issuer that it objects to the disclosure.

A new subsection (4) has been added to ensure that the terms "preliminary feasibility study", "pre-feasibility study" and "feasibility study" may only be used in disclosure if the study is a study described by the relevant definitions set out in the National Instrument.

22. Section 2.4 Disclosure of Historical Estimates (formerly "Exception for Disclosure of Historical Estimates")

This section has been revised to make it clear that once the National Instrument comes into effect all disclosure of mineral resources and mineral reserves must be made in accordance with the approved (CIM) definitions. However, this section goes on to allow disclosure of estimates made prior to the effective date of the Instrument in two cases:

1. the prior estimate was not made by or for the issuer; or
2. the prior estimate was made by or for the issuer and it is accompanied by an estimate made in accordance with the approved CIM definitions as required by the National Instrument.

At the suggestion of commenters, subsection (b) has been clarified to read: "confirms that the historical estimate is relevant".

PART 3 ADDITIONAL REQUIREMENTS FOR WRITTEN DISCLOSURE

23. Section 3.1 Written Disclosure to Include Name of Qualified Person

Several commenters suggested that a news release should be required to contain the name of the qualified person upon whose advice it is based, as doing so would give the disclosure greater credibility. Based on comments received on the draft of the proposed National Instrument that was published in 1998, the CSA agreed to exempt news releases from the requirement to name the qualified person applicable to other written disclosure. Those commenters were concerned that naming the qualified person in the news release may:

- result in delays in the issuer making timely disclosure in the event the qualified person was unavailable to vet the news release;
- give the false impression that the qualified person, and not the issuer and its management, is primarily responsible for the disclosure; and
- expose the qualified person to a greater risk of liability.

After considering the conflicting comments at some length, the CSA have determined not to impose the suggested additional requirement. However, the CSA note that news releases and other continuous disclosure by issuers in all industries will undergo heightened regulatory review, and regulators will be mindful of concerns expressed on this issue.

24. Section 3.2 Written Disclosure to Include Data Verification (formerly Written Disclosure to Include Data Corroboration and Other Information)

Commenters suggested that "data corroboration" be changed back to "data verification" and be used in conjunction with "data validation" as both concepts are needed to describe the process of checking data adequately and that definitions be included. These commenters pointed out that "data corroboration" is not an industry term and could cause confusion. The CSA agree. The Instrument now uses the term "data verification" and includes a definition that incorporates both concepts of data validation and data verification. See item 3, "Definition of "data verification" above.

The CSA received some comments that indicate that there may still be some misunderstanding about the qualified person's responsibility to carry out data verification or explain the failure to do so. The qualified person is responsible for carrying out procedures that are adequate in his or her professional opinion. The procedures will undoubtedly vary depending on the circumstances including whether the qualified person is obtaining or generating data directly, or is reviewing data obtained or generated by another.

A commenter submitted a practice guideline. The Instruments focus on the quality and reliability of public disclosure, not on exploration and mining practices as such, which in the view of the CSA are more appropriately within the purview of professional and industry associations. The CSA encourage industry and market participants to refer to best practices guidelines published by professional and industry associations.

25. Section 3.3 Requirements Applicable to Written Disclosure of Exploration Information

Commenters pointed out that this section implied that all requirements must be met in all disclosure, including sequential news releases, which would be cumbersome. The CSA agree and have made explicit in various clauses that disclosure does not have to be repeated.

In clause (1)(a) "a summary of results" has been changed to "a summary of material results" in response to a comment received.

In accordance with the suggestions of commenters and the usage of the terms in the Best Practices Guidelines, clause (1)(c) has been revised to require a statement as to the quality assurance program and the quality control measures applied during the execution of the work.

In response to comments, the reference in clause (2)(b) to "structural controls" was changed to "geological controls". At the suggestion of a commenter the requirement to describe the parameters used to establish the sampling interval will no longer be required in all written disclosure of exploration information; however, the parameters will be required to be disclosed in a technical report.

The CSA do not agree with the comment that the wording in clause (2)(c) is appropriate for grid sample collection only.

In response to a comment, in clause (2)(d) "materially impact" has been changed to "materially affect".

Clause (2)(e) was revised to make it clear that the use of certified laboratories is not required by the National Instrument.

In response to comments, clause (2)(f) has been revised to require a listing of the lengths of individual samples or sample composites including analytical values, widths and, to the extent known, the true widths of the mineralized zone.

26. Section 3.4 Requirements Applicable to Written Disclosure of Mineral Resources and Mineral Reserves

A commenter suggested that environmental, permitting and other relevant issues required to be described by clause (d) be limited to the qualified person's knowledge. The CSA do not believe that this would be appropriate. It is the issuer's responsibility to make the disclosure, and relevant issues known to the issuer are required to be disclosed.

A commenter was of the view that the statement required by clause (e) that mineral resources which are not mineral reserves do not have demonstrated economic viability was not necessary as this concept is embodied in the definition of mineral resource. The CSA disagree. The CSA believe that the required statement will emphasize a distinction that is important to the public investor.

27. Section 3.5 Exception for Written Disclosure Already Filed

A commenter expressed the view that the conditions to the exception, set out in section 3.5, from references to previously filed disclosure as required by sections 3.4 and 3.5, will result in lengthy paragraphs of cross-references that are of limited utility. The CSA believe that the offsetting disclosure is important and have retained this requirement.

PART 4 OBLIGATION TO FILE A TECHNICAL REPORT

28. Section 4.1 Obligation to File a Technical Report Upon Becoming a Reporting Issuer

A commenter was of the view that a technical report should not be required to be filed by an issuer becoming a reporting issuer in an additional Canadian jurisdiction. The CSA are of the view that this requirement is appropriate and not unduly onerous since the issuer may rely on a previously filed technical report or a report filed prior to February 1, 2001 under NP 2-A, amended or supplemented, if necessary to reflect subsequent material changes.

29. Section 4.2 Obligation to File a Technical Report in Connection with Certain Written Disclosure Concerning Mineral Projects on Material Properties

Several commenters objected to this section requiring producing issuers to file technical reports in instances in which they are not currently required to do so. Their view is that requiring further disclosure by producing issuers is not warranted. They are of the view that the prime beneficiaries of increasing the instances in which producing issuers are required to file technical reports will be consultants and competitors, not shareholders and the public.

Some of these commenters explained that the requirement for producing issuers to produce technical reports is particularly onerous with respect to operating mines with a long production history. They commented that operating mines are also fundamentally different from new developments from a risk point of view. These commenters recommended that producing issuers should not be required to file technical reports for any mineral project that has been in operation for at least two years, unless there is a change in the mineral reserves and mineral resources of the mineral project that constitutes a material change in the affairs of the issuer.

The CSA are of the view that there is a need for industry-wide standards for disclosure of scientific and technical information in the mining industry. Generally speaking, if a property is material to an issuer, then the information required by the Form is material.

However, the CSA agree that it would be unduly onerous to require issuers to prepare and file technical reports to support disclosure that has been in the public market for a period of time. Accordingly, annual information forms ("AIF"), annual reports or short form prospectuses that include scientific and technical disclosure, that is material to the issuer, must be accompanied by a technical report if the disclosure has not been previously contained in:

1. an AIF, prospectus, material change report, or annual financial statement (a "disclosure document") filed with a securities regulatory authority before February 1, 2001; or
2. a report prepared in accordance with NP 2-A filed with a regulatory authority before February 1, 2001; or
3. a technical report filed under the National Instrument.

A commenter expressed the view that the preparation of a technical report to support each statement of a material fact concerning a material property would entail a great deal of time and

expense and may restrict disclosure as issuers would avoid making statements in good faith. The CSA are of the view that the instances in which technical reports are required to be filed pursuant to the National Instrument are appropriate and that issuers should show the requisite care in disclosing material facts.

Some commenters requested that clause (1)(7) be deleted because they were concerned that the very mention of a valuation in the National Instrument might create a misunderstanding that a valuation report must be in the form of a technical report. The CSA disagree and have declined this request. The CSA believe that it is important that scientific and technical information contained in a valuation required under OSC Rule 61-501 (currently the only valuation to which the National Instrument applies) be supported by a technical report prepared in accordance with the Instruments.

The CSA received conflicting comments on clause (4)(a) of section 4.2. A commenter was of the view that technical reports should be filed concurrently with news releases announcing new or significant additional mineral resources or mineral reserves. Another commenter was of the view that 30 days would be insufficient to prepare and file a technical report in support of new or significant additional mineral resources or mineral reserves. The CSA fully considered this matter in connection with the comments received to the previous draft of the Instruments published in 1988 and continue to be of the view that 30 days is an appropriate period. Reference is made to the March 2000 Notice in this regard. The CSA also notes that the 30 day period was viewed as appropriate in the MSTF Report.

PART 5 AUTHOR OF TECHNICAL REPORT

30. General Parts 5, 6 and 7 and Form 43-101F1

A commenter was of the view that it was confusing to switch between the "author" of the technical report and the qualified person in the titles and text throughout Parts 5, 6 and 7 of the National Instrument and throughout Form 43-101F1. Because the CSA expect that the Form will be used by qualified persons in preparing their technical reports, the Form refers to the author.

31. Section 5.3 Independent Technical Report

Several commenters criticized the exception, under section 5.3, from certain requirements that a technical report be prepared by a qualified person independent of the issuer. The exception, which applies in certain cases to "producing issuers", would enable them to comply with the Instruments by filing technical reports prepared by in-house qualified persons.

This exception was the subject of significant debate in connection with the comments received to the drafts of the Instruments published in 1998 and was thoroughly considered by the CSA at that time, as noted in the March 2000 Notice. The CSA remain of the view that the exception for producing issuers, and definition of that term, appropriately balance the needs and requirements of issuers and investors and are consistent with the purposes of the Instruments.

32. PART 6 PREPARATION OF TECHNICAL REPORT (formerly NATURE OF TECHNICAL REPORT)

A commenter suggested that sections 6.1, 6.2 and 6.3 of the proposed National Instrument belong in the proposed Form to the extent not already included. The CSA agree with this comment as regards sections 6.2 and 6.3 of the proposed National Instrument (now items 22 and 5, respectively, of the Form) and have made this change.

33. Section 6.2 (formerly section 7.1) Personal Inspection

The CSA received comments from some commenters that the decision of whether or not a site visit is necessary should be left to the discretion of the qualified person, and if no site visit was made, the disclosure should include an explanation. Several other commenters suggested that there should be an alternative to the issuer having to obtain an exemption from the personal inspection requirement, with its attendant cost and delay, especially in instances, that could be listed, where there would be little benefit from the inspection.

The CSA fully considered this matter in connection with the comments received to the drafts of the Instruments published in 1998. Reference is made to the March 2000 Notice in this regard. In addition, see item 61 below with respect to Part 5 of the Companion Policy. However, this is a matter that will be monitored by the CSA, and the CSA will seek advice from its external advisory committee, should changes be advisable.

A commenter suggested that in a technical report on multiple properties, site visits should only be required to those properties that will be the focus of the majority of expenditures. The CSA do not believe that the personal inspection requirement needs to be set out in any greater detail. The manner in which a site visit is conducted is left to the discretion of the qualified person who is bound by professional standards and expected to apply professional judgment.

Another commenter expressed the view that check sampling during the personal inspection should be mandatory. The CSA considered but rejected this suggestion in connection with the drafts of the Instruments published in 1998. Sec the March 2000 Notice in this regard.

34. (New) section 6.3 Maintenance of Records

This section requires issuers to maintain assay certificates, drill logs and other records that are referenced in or support technical reports for 7 years.

35. PART 7 USE OF FOREIGN CODE (formerly section 6.4)

Part 7 has been revised to make clear that foreign issuers may make disclosure using the definitions of resources and reserves in the foreign codes, as well as file technical reports utilizing such foreign codes, provided the disclosure includes a reconciliation to the mineral resource and mineral reserve definitions in the National Instrument.

Some commenters remarked that Canadian issuers may have valid reasons to use foreign codes, and should be permitted to use foreign codes provided they reconcile the disclosure based on the foreign code against the definitions in the National Instrument. The CSA agree with this comment with respect to properties of Canadian issuers that are located in a foreign jurisdiction. Subsection 7.1(2) has been added to the National Instrument in this regard.

Another commenter noted that the reconciliation required by the proposed National Instrument may be difficult and may require two separate calculations from raw data. The CSA believe that, in most cases, a qualified person will be able to reconcile definitions in different codes without having to resort to recalculation.

A commenter expressed the view that the reconciliation requirement is an unnecessary expense and would not provide any meaningful disclosure. This commenter was concerned that differences in reporting codes and reconciliation requirements could lead to differences of opinion or interpretation with respect to what is reported by Canadian and non-Canadian mining companies.

The CSA disagree. The CSA are of the view that the use of standard definitions of mineral reserves and mineral resources is an important aspect of meaningful public disclosure, and if foreign codes are used, a reconciliation to the standard definitions must be made and disclosed. The CSA are of the view that this provision creates an even playing field between Canadian and non-Canadian issuers that access the Canadian market.

36. PART 7 (formerly PERSONAL INSPECTION)

See the discussion under item 33, "Section 6.2 Personal Inspection".

PART 8 CERTIFICATES AND CONSENTS OF QUALIFIED PERSONS FOR TECHNICAL REPORTS

37. Section 8.1 Certificates of Qualified Persons

A commenter was concerned about the qualified person being responsible for portions of the technical report that are not prepared by a qualified person. Item 5 of the Form permits the qualified person to include a disclaimer in this regard. Also, the certificate required by section 8.1 of the National Instrument specifies the portions of the technical report the qualified person has prepared.

In accordance with a suggestion received from a commenter, the beginning of section 8.1(2) has been revised to read: "The certificate for each qualified person shall state…"

In accordance with a suggestion received from a commenter, the lengthy provisions of clause 8.1(2)(f) have been replaced by referring to independence and the interpretation contained in section 1.5 of the National Instrument.

Some commenters suggested that the requirement that the qualified person certify that the technical report was prepared in accordance with generally accepted mining industry practice was inappropriate and could create confusion. The CSA agree and deleted this requirement.

38. Section 8.3 Consents of Qualified Persons

A commenter objected to the inclusion of clause (b) that requires a qualified person to confirm that the written disclosure correctly reflects the technical report, because it is the issuer's responsibility to ensure that the disclosure reflects the underlying work. The CSA agree as to the issuer's responsibility, but are of the view that it is appropriate for the issuer to be required to obtain the qualified person's confirmation in this regard.

PART 9 EXEMPTION

39. Section 9.1 Exemption

Commenters are concerned as to the costs to issuers of applying for exemptions. The CSA acknowledge these concerns, and urge issuers to make arrangements to minimize the matters for which exemptions may be required.

See also item 2, Section 1.2 "Definition of Qualified Person", and item 33, Section 6.2 "Personal Inspection".

FORM 43-101F1 TECHNICAL REPORT

40. General

Some commenters expressed strong support for the reference by the CSA to the Mineral Exploration Best Practices Guidelines.

Several commenters expressed the view that content in a technical report should be limited to information that is material to the property and to the issuer. The CSA do not agree. Once the requirement for a technical report is triggered by the disclosure set out in the National Instrument, a technical report addressing all relevant items is appropriate.

Several commenters objected to being required to disclose information that they regard as private and confidential information, in particular, the financial disclosure with respect to development and production properties described in item 24 (g), (h) and (i). Concern was also raised for producers in non-transparent oligopoly markets where price signaling will have an impact on competitive behaviour. Commenters also raised concerns about disclosing exploration information. In all cases, the concern was that the broad disclosure obligations in the Form would put issuers subject to Canadian securities regulation at a competitive disadvantage. One of these commenters concluded that if disclosure were to be required, it should be limited to material information on material properties, with the right of the issuer to disclose sensitive information to securities regulatory authorities on a confidential basis.

After serious consideration, the CSA concluded that disclosure of material information is fundamental to our securities regulatory system. The CSA do not believe it is appropriate that this requirement apply to some, but not all issuers. However, the CSA recognize that there is information that an issuer may have legitimate reasons to keep confidential for a limited period or, more rarely, indefinitely. In circumstances in which an issuer intends to make disclosure at a later time, the issuer may file the information with securities regulatory authorities on a confidential basis. Indefinite confidentiality would require an exemption from securities regulatory authorities.

INSTRUCTIONS

41. Instruction (3)

As requested by a commenter, the second sentence has been revised to clarify that explanations are required for technical terms that are unique or infrequently used.

42. Instruction (5)

A commenter suggested that this instruction should make clear that the items in the previously filed report do not need to be repeated provided they are still accurate, and only changes to these items need to be filed in the current technical report. This change has been made.

43. Proposed Instruction

A commenter requested that an instruction be added to the effect that the Instruments are not intended to restrict the ability of a mineral valuator to utilize all technical information as a basis for reaching his or her valuation opinion. The CSA do not think such a statement is necessary or appropriate as valuations are not the subject of the Form.

44. Item 4 Introduction and Terms of Reference

A commenter suggested the addition of a clause (d), requiring the disclosure of the extent of field involvement by the qualified person. This change has been made.

45. Item 6 (formerly Item 5) Property Description and Location

In clause (a), “dimensions” has been changed to “area” in accordance with the suggestion of a commenter. Clause (b) has been revised to include references to the Universal Transverse Mercator (UTM) system and to geo-political subdivisions as suggested by commenters.

In clause (d), the CSA declined to accept a commenter’s suggestion to limit disclosure with respect to title “to the extent known” by the qualified person. The issuer is required to disclose the information required to be included in the technical report; and the qualified person may indicate his or her reliance on the information provided by the issuer.

At the suggestion of commenters, clauses (e) and (f) have been revised to separate information that is narrative from information that is to be shown on a map.

A commenter was concerned that the matters to be disclosed in clauses (g), (h) and (i) and in item 8 (formerly item 7) "History" would be beyond the scope of a qualified person's experience and responsibilities, especially with respect to properties in foreign jurisdictions. The CSA recognize that there will be certain information that an issuer is required to provide in a technical report for the sake of completeness that will be outside the area of expertise of the qualified person who is the author of the technical report. The qualified person may disclaim responsibility with respect to areas of the technical report outside his or her area of expertise as provided in Item 5 of the Form.

46. Item 8 (formerly item 7) History

A commenter suggested that required disclosure should be limited to prior ownership and prior work that is material. The CSA are of the view that all relevant information should be included in a technical report to assist the reader in assessing the conclusions of the technical report.

47. Item 11 (formerly item 10) Mineralization

Some technical changes have been made at the suggestion of commenters.

48. Item 12 (formerly item 11) Exploration

A commenter suggested that the title to this item be changed to "Field Surveys". The CSA have declined to make the change as the disclosure required by this item is not restricted to fieldwork.

At the suggestion of a commenter the reference to "and metallurgical or other testing" has been removed in the lead-in phrase, as such information may either be disclosed under clause (a) of this item or item 18 "Mineral Processing and Metallurgical Testing", as appropriate.

49. Item 13 (formerly item 12) Drilling

Some commenters were of the view that this item was not sufficiently detailed and should include certain requirements such as drill logs and the relationship of drilling to surface showings, and referred the CSA to Mineral Exploration "Best Practices" Guidelines. The CSA are of the view that these matters go to the manner of how work should be done which is a matter better determined by the professional and industry associations. The CSA in section 4.1 of the Companion Policy encourage qualified persons to follow the Mineral Exploration "Best Practices" Guidelines.

50. Item 14 (formerly item 13) Sampling Method and Approach

Several technical changes suggested by commenters were made.

51. Item 15 (formerly item 14) Sample Preparation, Analyses and Security (formerly Sample Preparation and Security

At the suggestion of a commenter the title of this item has been revised.

52. Item 16 (formerly item 15) Data Verification (formerly Data Corroboration)

A commenter suggested that "quality assurance" be substituted for "quality control". The CSA have declined to make this change, but have changed the reference to "quality control measures" to be consistent with the terminology used in the Mineral Exploration "Best Practices" Guidelines.

In accordance with comments, reference to "data corroboration" has been changed to "data verification".

53. Item 17 (formerly item 16) Adjacent Properties

A commenter noted that this item does not address the issue of publicly announced information that was not prepared in compliance with the Instruments. The CSA have added clause (e) to refer to section 2.4 of the National Instrument which permits disclosure of historical estimates on the conditions set out in that section.

Another commenter suggested that this item should not be a separate item. The commenter advised that separating the disclosure called for in this item diverges from current practice, which is to give details of the geology and mineralization on an adjacent property in the relevant sections of the report discussing the property with clear disclosure that it is on an adjacent property. To minimize confusion to readers of a filed technical report, the CSA determined to require that disclosure on adjacent properties be separated and accompanied by the disclosure set out in clauses (b) through (e). Clause (d) has been added to ensure this disclosure to the reader.

54. Item 19 (formerly item 18) Mineral Resource and Mineral Reserve Estimates

Clause (i) of this item was revised to clarify that this restriction from using inferred mineral resources applies to a preliminary feasibility study and a feasibility study, but not to a preliminary assessment which may be disclosed under section 2.3 of the National Instrument.

Several commenters were of the view that the disclosure of metal equivalents permitted by clause (k) of this item should be discouraged and/or restricted. The CSA are of the view that this is a matter of best practices and should be in the discretion of the profession and industry. However, the CSA have heeded the commenters' concerns and have revised the wording of this clause to include disclosure of grade of the individual metals.

55. Item 22 (formerly item 21) Recommendations

A commenter suggested that more detail should be given concerning budgets, as a breakdown of a budget is an essential element of a technical report. The CSA agree with the importance of cost breakdowns but do not believe that more specific instructions are required in this regard.

56. Item 25 (formerly item 24) Additional Requirements for Technical Reports on Development Properties and Production Properties

Some commenters made the general comment that this section should be expanded. The CSA are of the view that the salient disclosure points for the purposes of a technical report are included in this item and no additions have been made.

Several commenters expressed their concerns over the requirements to disclose information that they consider confidential. This point has been addressed above under "General".

Several commenters objected to the forecasting required in clauses (g), (h), (i) and (j), commenting that the disclosure required goes beyond an investor's reasonable needs, will lead to unrealistic investor reliance on forecasts, will increase the risk of legal complaints against the issuer and its management and will impose an excessive burden on Canadian mining issuers compared to foreign mining issuers and issuers in other businesses. These commenters stated their view that this section is inconsistent with future-oriented financial information ("FOFI")`, which is at the issuer's option and limited to a shorter period of time.

The CSA are of the view that the information required by these clauses are material to an investor with respect to a new or materially changed development or production property and should be provided in a technical report. The CSA are satisfied that the disclosure that triggers a requirement to provide a new or updated the technical report, and this information, are appropriate. In the event an issuer disagrees, the issuer may make an application to the CSA for an appropriate exemption. The CSA do not think that the disclosure required is inconsistent with FOFI. Disclosure in technical reports has always been excluded from FOFI.

57. Item 26 (formerly item 25) Illustrations

Some commenters were concerned that a qualified person might not be able to obtain consent from the person that is the source of the information. The CSA are of the view that obtaining a person's consent, where required, provides additional credibility to the information that is being utilized and/or relied upon by the qualified person.

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58. Section 1.4 Mineral Resources and Mineral Reserves Definitions (formerly section 1.3 Definitions)

Commenters suggested that the CIM definitions be incorporated by reference into the Instruments and that this section be revised accordingly. This change has been made.

59. Former Section 1.4 Interpretation

In accordance with a commenter's suggestion, this section has been deleted. (Reference is made to item 7 above with respect to the definition of "exploration information".)

60. Section 1.5(a) Non-Metallic Mineral Deposits, Industrial Minerals

A commenter expressed the view that the recognition of a viable market is insufficient to classify reserves for an industrial mineral, and that a sales contract should be required to be in place. The requirement of a sales contract for classification of industrial minerals as reserves was in the draft of the Companion Policy published in 1998, and was deleted after review and consideration of comments received. Commenters had expressed the view that requiring a sales contract to be in place in order to classify "reserves" made it very difficult or impossible for a company to secure financing. The CSA revised this section. This view was consistent with the position taken by the CIM Standing Committee on this issue, and the CSA adopted this approach. The CSA continue to be of the view that this is the appropriate approach to take at this time, as it reflects the current approach of the industry.

61. Section 2.1 Disclosure is the Responsibility of the Issuer

A commenter expressed the view that this section was not sufficient, and that instead the Instruments should specifically require the issuer to assume responsibility for the disclosure to not misuse or misquote scientific or technical advice or information received from the qualified person. The CSA are of the view that the responsibilities of the issuer, its directors and officers, and others in general securities legislation with respect to responsibility for disclosure are appropriate, and that no change to the Instruments in this regard is necessary.

62. Section 2.4(5) (formerly 2.3(5)) Materiality

A commenter suggested that this subsection be deleted in view of the questionable relevance of historic cost of mineral properties to the value that investors place on an issuer's securities. The CSA agree that book value and/or exploration expenses may not be an appropriate measure of materiality in many instances. This subsection is not intended to be used as a substitute for the determination of materiality, but is present only as guidance to assist the issuer in making the determination.

63. Section 3.2 Qualified Person

Some commenters expressed concern that this section may permit foreign practitioners that are subject to a lower standard than Canadian practitioners to be considered qualified persons under the Instrument. One commenter suggested that this section be revised so that exemptions would only be given in very specific instances and to ensure that the exemption process could not be used to circumvent standards required for Canadian licensed professionals. Another commenter suggested that this section could be interpreted as a disregard for existing professional laws regarding the practice of engineering.

The CSA expect that staff of the securities regulatory authorities that consider applications will use good judgment in considering applications by issuers to have certain requirements of the qualified person definition waived with respect to certain engineers and geoscientists that the issuer wishes to rely upon for scientific and technical information and advice and do not think it appropriate to limit the discretion of staff of the securities regulatory authorities in this regard. Issuers should be mindful of local laws governing the practice of engineering and geoscience in jurisdictions in which their properties are located.

64. Proposed new section 3.4 Disclosure of Assumptions

A commenter suggested that a new section be added advising the qualified person to lay out the assumptions and weaknesses of the model used as a basis for exploration or evaluation, and the justifications for the assumptions made where this is not implicit. The commenter was of the view that this would protect the qualified person and engender public confidence in the work. The CSA are of the view that the requirements of the Form are sufficient in this regard and trust that qualified persons will include this information where it is relevant and of assistance to the reader.

65. PART 6 (formerly PART 5) Personal Inspection

A commenter remarked that this Part appeared to be written with an exploration property in mind. The commenter suggested that guidance should be given for development and producing properties where it may be appropriate for more than one qualified person to visit the site.

The CSA have added a new section, section 6.3, to the Companion Policy to clarify that the personal inspection requirement in section 6.2 of the National Instrument sets a minimum standard, and that the issuer should have personal inspections made by qualified persons as appropriate in the circumstances.