



Mining and Metallurgical Society of America

P.O. Box 8383 • Pueblo CO 81008
Phone: 303-726-6431 • Web site: www.mmsa.net
Email: contactMMSA@mmsa.net

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IG-7 to SK-1300 - Past, Present, and Now What? Webinar Friday, March 19, 2021

The SEC was one of the first governmental agencies in the world to adopt guidelines for technical disclosure by ... mining companies. Form S-3 was promulgated in 1939, and updated with Form S-18 in 1981, which became Industry Guide 7 in 1992. Since 1992, countries around the world have adopted reporting codes which over time generally conform to the CRIRSCO template, promulgated by the “Committee for Mineral Reserves International Reporting Standards”. On October 31, 2018, the SEC adopted amendments to modernize the property disclosure requirements for mining registrants in the US. This resulted in an amendment to 17 CFR 229.102 Subpart 229.1300, commonly called SK-1300 or the “Rule”.

A driving force for the change was inability to report mineral resources under Industry Guide 7, which limited the ability of US registrants to promote, finance, and develop small exploration projects. This led to many companies (many led by Americans) incorporating in Canada and trading on the Canadian exchanges. The Rule allows reporting of Mineral Resources as well as Mineral Reserves, and it permits declaration of Mineral Reserves after a pre-feasibility study which previously required a feasibility study. In general, the Rule conforms to the CRIRSCO Template and to CRIRSCO Standard Definitions, making US disclosure more comparable with other international jurisdictions.

The discussion will outline the changes in mineral property disclosure rules for US registrants. We will show how the new rule compares to other international codes and the CRIRSCO template. It will review some of the pros and cons, benefits and concerns that come with the changes, and will highlight some potential pitfalls in preparing reports under the Rule. As with all changes, only time will tell how if SK-1300 will have the desired changes in the US Mining industry.

Bio

Donald E. Hulse is the Vice President of Mining at Gustavson Associates, a member of WSP. He is a Mining Engineer with over 30 years of experience in the mining industry, including technical and general management, permitting coordination, short and long term operational planning, economic pit limit analysis, pit and phase design, cost estimation and analysis, resource estimation, geostatistics, feasibility studies and reserve audits. Project experience includes involvement with gold, silver, base metals and industrial metals in design, analysis, planning and operational control for mines throughout the US and Latin America. He has been responsible for coordinating the efforts of a management team through permitting, construction and initiation of two gold mines.

Mr. Hulse is also a Qualified Person as defined by the NI 43-101. He has published Technical Reports on over 50 properties. He has served on the SME Resource and Reserve Reporting Committee since 2015 and has been a co-chairman of the committee since 2019.

Slides – Technical Report Flow Chart -- Video: <https://www.youtube.com/watch?v=QYQYrMeRTH0>

Chat and Questions

During the presentation and Question and Answer period, the following comments and questions were submitted by the attendees. Don Hulse's responses are in the video.

(Note: the following questions are not in time order because some are from Chat and some are from Questions. Minor edits were made.)

Mark Bowron: So regarding liability, all individual QP's should at the very least, operate under the protection of a Limited Liability type entity.

Xavier Ochoa: It will be interesting to have a follow up on this in a year's time once some real world application has taken place.

Mark Bowron: Is a Canadian company traded on a US stock exchange required to file with the SEC?

Mark Bowron: Is there a public resource to search for the 1300's ?

Xavier Ochoa: Has there been any discussion with Canadian Securities Regulators regarding reciprocal application of SK1300 with SEC grounded reports?

David Abbott: The registrant is responsible for determining that those they select as QPs must meet the definition. Therefore, registrants will look at Appendix A of the SME Guide.

Peter Christensen: Well said Don!

Pat Gochmour: How do you mesh reliance/use of Company provided information and independent appraisal/assessment especially when ESG and Environmental is addressed? Equally important, what if there is a conflict of opinion(s)?

David Abbott: The existence of the conflict may well be material regardless of who is "right."

Robert Roe: If a mining company has previously disclosed ore reserves for an active mine (or mines) in compliance with IG-7, and now wishes to report reserves AND resources under the new rules, is it necessary to file a TRS prior to/with the new reserves + resources data? (Most operating mines apply actual cost and revenue data to their mining plan (LOMP) or economic models. Preparing a costly technical report to support the assumptions that underpin reserves and resources estimates seems to be an unnecessary burden, when the actual cash flows from operations are more relevant to investors than a technical report (probably written by a consultancy) generated simply to satisfy the (regulators). Can a company with active mining operations file a technical report summary without a technical report, describing the cost and revenue assumptions applied to their mining plan model?

Peter Christensen: Don, I think the TRS are being filed as Exhibit 98.1 - but I may have that number incorrect - you can search by that also.

Xavier Ochoa: Thanks Craig!

Andrés Fock: Thank you Don!

Xavier Ochoa: Thanks Don!

Zeval AYTAS: Thank you.

Craig Waldie: No official discussions

Craig Waldie: Thanks!