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PGO PROFESSIONAL GEOSCIENTISTS ONTARIO

NI 43-101: A Quick Start Guide to the Disclosure Standards

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November 14, 2023

Ontario

Caution

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NOTE:

- This webinar is about how to disclose technical information in compliance with NI 43-101
- This webinar is not about how to perform technical activities correctly as a professional, or why NI 43-101 didn't stop the mineral project from failing

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A quick start guide to the reporting standards for mineral projects

1) What is disclosure?

2) What disclosure is covered by NI 43-101?

3) What role do professionals play in disclosure?

4) How do professionals assess relevant experience to act as a qualified person?

5) What are the top 5 areas of non-compliant disclosure in technical reports?

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#1) What is disclosure?

"Disclosure" is the timely release and broad dissemination of important information to the market about a company's business activities

Disclosure should be:

- Timely
- Reliable
- Clear
- Comparable
- Decision-useful

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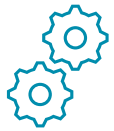
Why is disclosure important?

Investor protection



Efficient marketplace

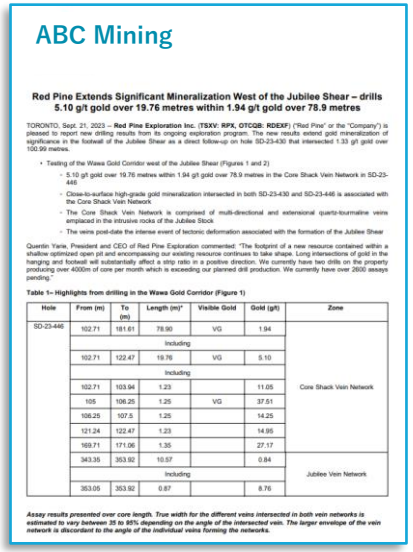
Corporate governance

Linked to share price

Nothing happens in mineral project development without investor confidence and money

#2) What disclosure is covered by NI 43-101?

Disclosure covers basically <u>everything!</u>


ABC Mining

Red Pine Extends Significant Mineralization West of the Jubilee Shear – drills 5.10 g/t gold over 19.76 metres within 1.94 g/t gold over 78.9 metres

TORONTO, Sept. 21, 2023 – **Red Pine Exploration Inc.** (**TSXV: RPX, OTCQB: RDEXF**) ("Red Pine" or the "Company") is pleased to report new drilling results from its ongoing exploration program. The new results extend gold mineralization of significance in the footwall of the Jubilee Shear as a direct follow-up on hole SD-23-430 that intersected 1.33 g/t gold over 100.99 metres.

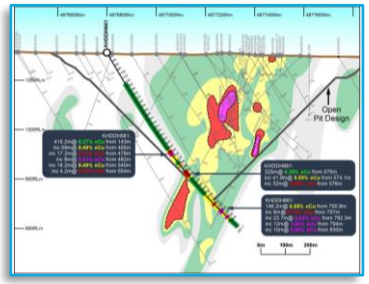
- Testing of the Wawa Gold Corridor west of the Jubilee Shear (Figures 1 and 2)
  - 5.10 g/t gold over 19.76 metres within 1.94 g/t gold over 78.9 metres in the Core Shack Vein Network in SD-23-446
  - Close-to-surface high-grade gold mineralization intersected in both SD-23-430 and SD-23-446 is associated with the Core Shack Vein Network
  - The Core Shack Vein Network is comprised of multi-directional and extensional quartz-tourmaline veins emplaced in the intrusive rocks of the Jubilee Stock
  - The veins post-date the intense event of tectonic deformation associated with the formation of the Jubilee Shear

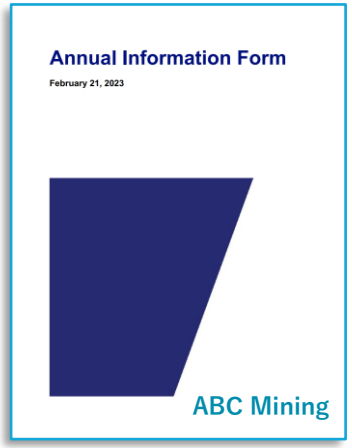
Quentin Yarie, President and CEO of Red Pine Exploration commented: "The footprint of a new resource contained within a shallow optimized open pit and encompassing our existing resource continues to take shape. Long intersections of gold in the hanging and footwall will substantially affect a strip ratio in a positive direction. We currently have two drills on the property producing over 400m of core per month which is exceeding our planned drill production. We currently have over 2600 assays pending."

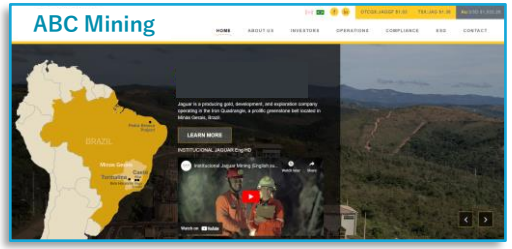
Table 1– Highlights from drilling in the Wawa Gold Corridor (Figure 1)

Hole	From (m)	To (m)	Length (m)*	Visible Gold	Gold (g/t)	Zone
SD-23-446	102.71	181.61	78.90	VG	1.94	
	Including					
	102.71	122.47	19.76	VG	5.10	
	Including					
	102.71	103.94	1.23		11.05	Core Shack Vein Network
	105	106.25	1.25	VG	37.51	
	106.25	107.5	1.25		14.25	
	121.24	122.47	1.23		14.95	
	169.71	171.06	1.35		27.17	
	343.35	353.92	10.57		0.84	
	Including					Jubilee Vein Network
	353.05	353.92	0.87		8.76	

Assay results presented over core length. True width for the different veins intersected in both vein networks is estimated to vary between 35 to 85% depending on the angle of the intersected vein. The larger envelope of the vein network is discordant to the angle of the individual veins forming the networks.







Disclose it … you own it!

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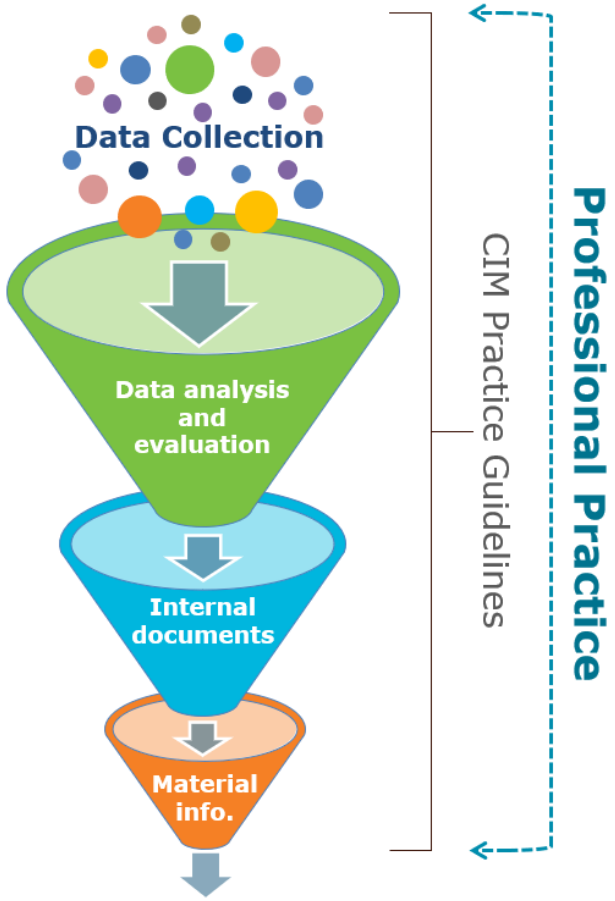
NI 43-101 – It's just about disclosure!



Many people wrongly believe that NI 43-101 is a "**technical standard**" that demonstrates a mineral project's legitimacy and viability.

> *"How could the project fail? – it had a technical report!"*

Unfortunately, NI 43-101 is just a "**disclosure standard**".

DISCLOSURE ⟵ NI 43-101

*professionals = P.Geo & P.Eng.

#3) What role do professionals* play in disclosure?

Professionals provide technical advice and opinions

Professionals act as gatekeepers within the capital markets

Professionals sign-off on technical disclosure

Scott Adams, Dilbert, 2019

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Professional's "gatekeeper" role when acting as a Qualified Person in the capital markets

"Four key provisions under NI 43-101 where the QP is a "gatekeeper"

- All disclosure of technical information on a property material to the company must:
  1) Be prepared by or approved by a **QP**
  2) Provide the name and relationship of the **QP** to the company
  3) State whether the **QP** has verified the data, describe how the data was verified, and explain any limitations or failures to verify the data

- A technical report must:
  4) Be prepared and signed-off by one or more **QPs**

- **QPs** must act in the best interest of the capital markets and the investing public
- **QPs** act as a "public protection bridge" between the company and the investing public

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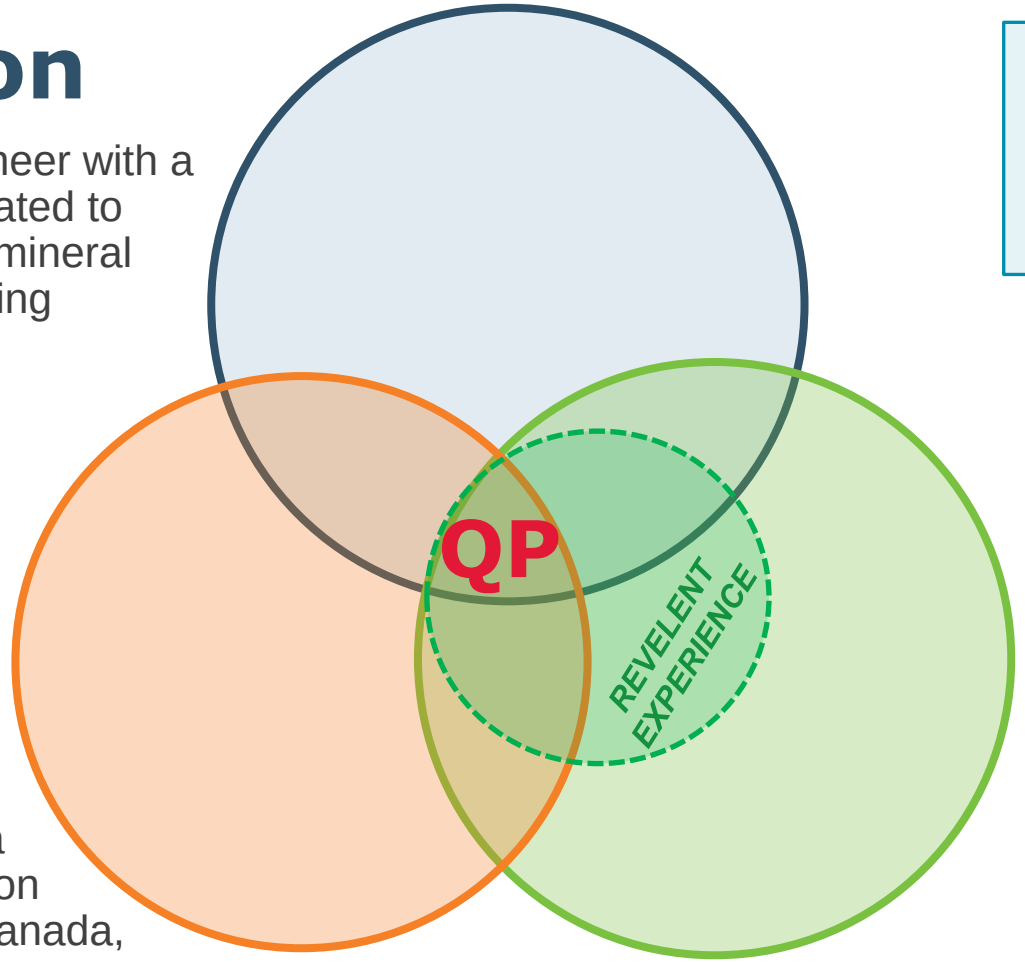
3 "E"s of the Qualified Person definition

Education

Geoscientist or engineer with a university degree related to mineral exploration, mineral development, or mining



Qualified Person *(**QP**) is a term created by the **capital markets** for the **capital markets***

Experience

At least 5 years of experience in the mineral industry that is related to their professional degree or area of practice &

has ***Relevant Experience*** related to the subject matter of the mineral project

Ethics

In good standing with a professional organization recognized by law in Canada, or listed in Appendix A

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#4) How do professionals assess their relevant experience to act as a Qualified Person?

- Determining what constitutes **relevant experience** can be difficult and common sense needs to be used
- A professional acting as a Qualified Person should be comfortable defending their advice and opinions before their peers and demonstrate competence and relevant experience in **TWO** areas:
  - **Activity** being performed or undertaken
  - **Mineral deposit** style and mineralogy

CIM ICM

www.cim.org

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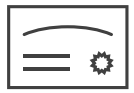
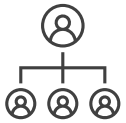
What are 5 steps that a professional can take to self-assess their own relevant experience?

1. **Review relevant regulations, standards, and guidelines that apply to you**



2. **Assess your education and training, including professional development**

3. **Assess your work experience history (prepare a work experience matrix)**



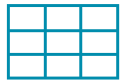
4. **Assess your level of responsibility on past projects**

5. **<u>Important Step</u>: Seek feedback from your peers and supervisors**

#5) What are the top 5 areas of non-compliant disclosure in technical reports

1) **Item 3: Reliance on other experts**

2) **Item 12: Data verification**



3) **Item 14: Mineral resource estimates**

4) **Item 15 - 22: Preliminary economic assessments**

5) **Missing cautionary language**

1) Item 3 disclosure problems

- **Requirement**
  - Each QP that prepares scientific and technical information disclosed in the technical report must accept responsibility for that disclosure and sign a QP Certificate
- **Problems**
  - Some QPs improperly use Item 3 to rely on scientific and technical information prepared by another P.Geo. or P.Eng. (*i.e.* metallurgy, block model, mine design, cost estimates, etc.)

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3 RELIANCE ON OTHER EXPERTS

As discussed in Section 1, the Feasibility Study was completed by an integrated team of service professionals, with extensive experience in the Saskatchewan potash industry. This information was relied upon and extracted to create the majority of the content of this report, of which the aim is to provide a summary of the pertinent information.[1]

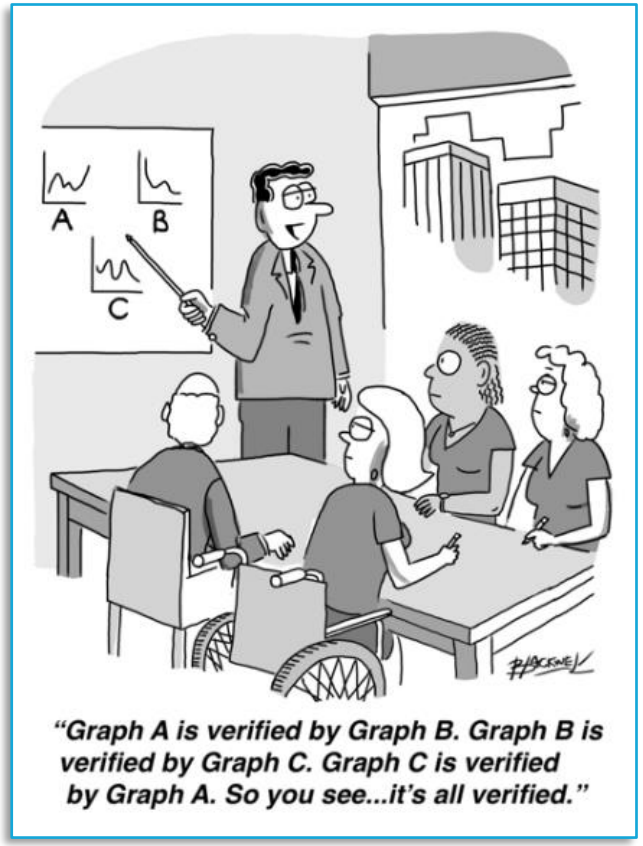
[1] Key content summarized in this report, specifically as it relates to mining, processing, and economics has been relied upon and extracted from the detailed Feasibility Study report

Improper use of Item 3

2) Item 12 disclosure problems

- **Requirement**
  - Describe the steps taken by the QP to verify the data used in the technical report
- **Problems**
  - Treating the company's QA/QC (or the assay labs QA/QC) as the QPs own independent data verification
  - Failing to describe steps the QP took to verify the data
  - Treating unverifiable data the same as reliable data
  - Not stating the QP's opinion on the adequacy of the data for the purpose used in the technical report

Note: *The site visit by the QP is a critical component of the data verification process*



Blackwell, 2018

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3) Item 14 disclosure problems

- **Requirement**
  - State the material assumptions used by the QP to estimate the mineral resource and support that the estimate has "reason prospects for eventual economic extraction"
- **Problems**
  - Using unverified historical or "legacy" data as the basis for the estimate
  - Failure to consider the geologic model
  - Reporting an unconstrained resource estimate (*i.e.* this is just a mineral inventory)
  - Isolated blocks remote from likely mining access or are based on single drill holes
  - Unrealistic cut-off grade (*i.e.* open-pit cut-off grade used for an underground deposit)
  - Unreasonable metal price assumptions or metallurgical recovery
  - Not explaining how the estimate meets "*reasonable prospects for eventual economic extraction"* (*i.e. not disclosing the* mining, metallurgy, cost, and price assumptions)

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4) Items 15 - 22: PEA disclosure problems

- **Requirement**
  - Include the cautionary language required by 2.3(3) of NI 43-101
    - PEA is preliminary in nature
    - Includes inferred resources are too speculative geologically to have the economic considerations applied to them
    - No certainty that the PEA will be realized
- **Problems**
  - A PEA is conceptual, so it often underestimates the project's costs, risks, and complexities
  - Using the PEA to update, modify, or add to the PFS, FS, or LOM plan based on mineral reserves
  - Using resource blocks that were converted to reserves in the "reserve case" mine plan, and some of the same blocks again in the "PEA case" mine plan
  - Incorporate inferred resources into the same production profile, economic analysis, cash flow, or mine plan based on reserves

*PEA outcomes are **always** disclosed as a separate analysis from the PFS, FS, or LOM plan*

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5) Missing cautionary disclosure problems

- Certain disclosure under NI 43-101 requires that the company provide mandatory proximate cautionary language to alert investors about the risks and uncertainties of the information disclosed
- This includes disclosure of:
  - **Historical estimates** (2.4 of NI 43-101)
  - **Exploration targets** (2.3 of NI 43-101)

Source: https://www.hertfordshirewalker.uk

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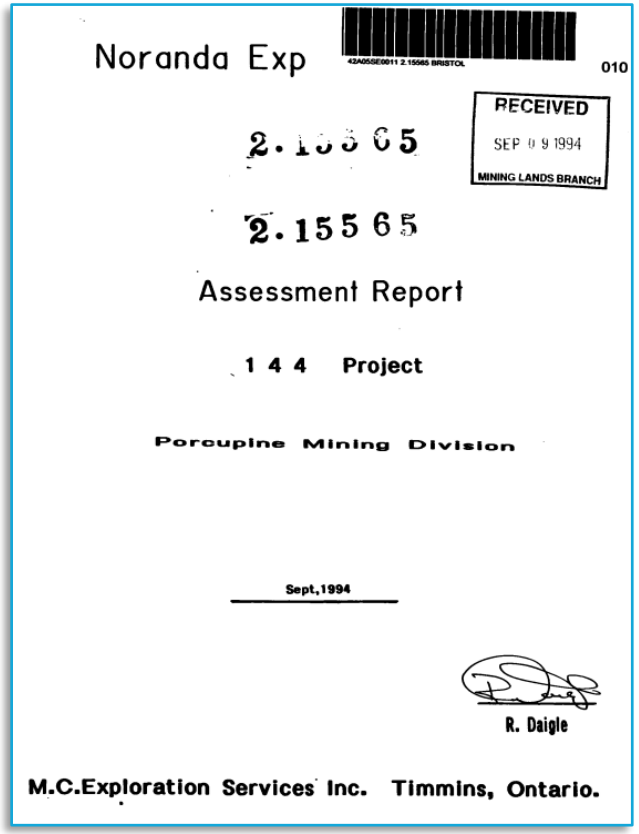
Historical estimate

- **Requirement**
  - Follow disclosure steps required by 2.4 a) – g) of NI 43-101 – they are very clear!
- **Problems**
  - Just calling the estimate "not NI 43-101 compliant"
  - Reporting an old guesstimate of unknown origin (*i.e.* old assessment report)
  - Lack of providing the required cautionary language
  - Missing the source, date, and original estimate classification
  - Not providing the planned work required to verify the historical estimate as current

Historical estimate: An unverified estimate prepared before the company obtained an interest in the property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Assessment Report

1 4 4 Project

Porcupine Mining Division

Sept,1994

R. Daigle

M.C.Exploration Services Inc. Timmins, Ontario.

Source: www.geologyontario.mndm.gov.on.ca

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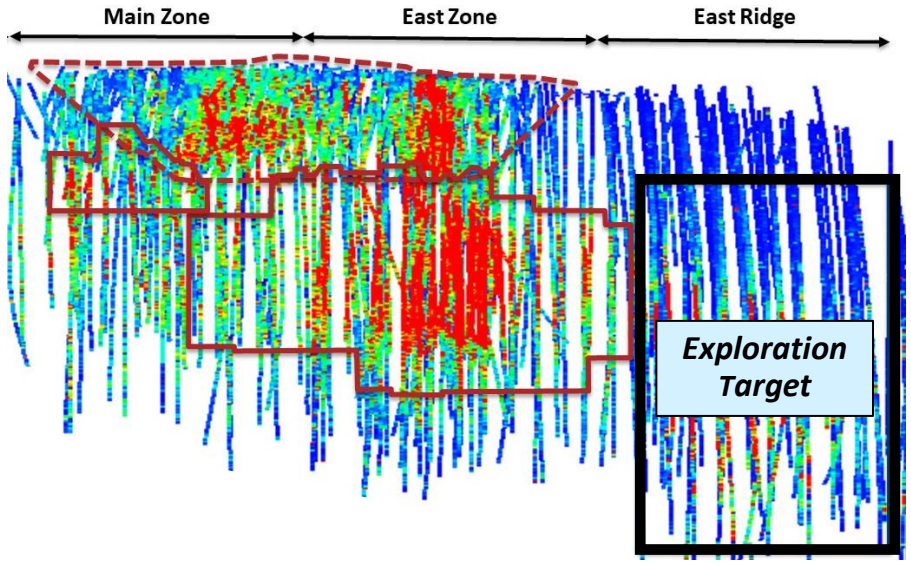
Exploration target

- **Requirement**
  - Follow disclosure required by 2.3(2) of NI 43-101
    - Provide a range of tonnes and grade for the target
    - State the basis for the exploration target
    - State the required cautionary language:
      - Potential quantity and grade is conceptual
      - Insufficient exploration to define a resource
      - Uncertain if a resource estimate will be defined
- **Problems**
  - Lack of providing ranges for tonnes and grade
  - Missing cautionary language
  - Reporting an unrealistic exploration target

Exploration target: Statement of a range of tonnes & grade of a potential mineral deposit with insufficient exploration to estimate a mineral resource



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Summary of what was discussed

1) Disclosure

- Fundamental to a well-functioning and efficient capital market and confidence in the market

2) Disclosure under NI 43-101

- NI 43-101 is a "disclosure standard" not a "technical standard"

3) Role of professionals

- Acts as a "public protection bridge" (*i.e.* Qualified Person) between the company and investors

4) Assessing relevant experience

- Know your competency limits and prepare a work experience matrix – be honest with yourself

5) Top 5 disclosure deficiencies

- Address the top 5 disclosure deficiencies to improve compliance in Technical Reports

Thank You!

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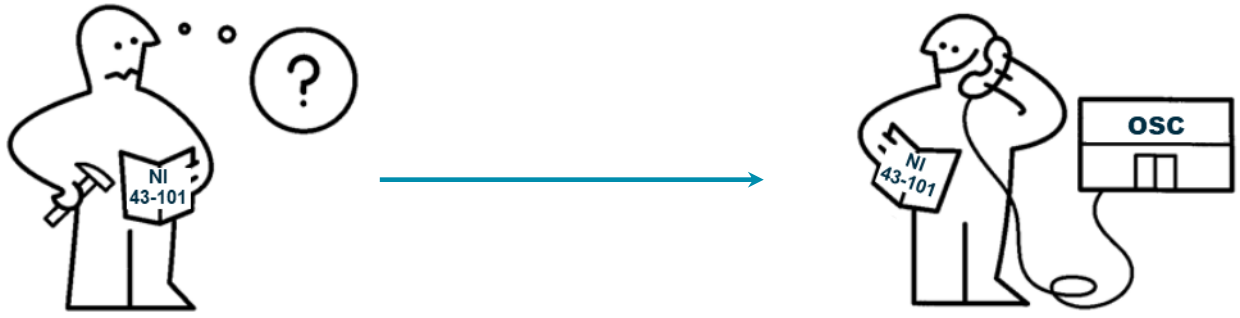

Graphic after IKEA