

# SEC Mining Disclosure

## Rule update to modernize property disclosure requirements

On October 31, 2018, the U.S. Securities and Exchange Commission (SEC) adopted new mining property disclosure requirements.

The new rules have significant implications for existing and new listings on U.S. stock exchanges. They aim to modernize the property disclosure requirements for mining registrants and provide investors with comprehensive reporting of mineral properties. The amended rules align more closely with recognized international regulatory standards for Mineral Reserves, Mineral Resources, and Exploration Results, an area in which SRK has extensive knowledge and experience. SRK is well positioned to assist registrants in identifying current gaps and achieve future compliance.



### Context

The new rulings require full disclosure of information about company owned mining properties, similar to the Canadian National Instrument (NI) 43-101. They apply to all mining (hard rock and brine) and royalty companies listed on a U.S. exchange.

The required disclosure takes the form of asset specific technical report summaries that will be filed on EDGAR.

The new rule aims to ensure investors have the knowledge needed to make informed decisions about mining properties.

The new rules align with the Committee for Mineral Reserves International Reporting Standards (CRIRSCO).

### Key Points

- **Timeline:** The rules become compulsory for disclosure on January 1, 2021.
- **Principles:** The rules emphasize “transparency, materiality, and competence”—the three governing principles of the CRIRSCO standards.
- **Mining disclosure policy:** The provisions in Industry Guide 7 have been replaced with a new subpart of Regulation S-K under the U.S. Securities Act.
- **Qualified persons:** QPs will be required to report on exploration results, mineral resources, and mineral reserves. QPs must have experience relevant to the type of mineralization and deposit and covering all disciplines, including, metallurgy, tailings, geotechnical engineering, economics, and the environment. QPs are subject to expert liability under Section 11 of the Securities Act based on individual area or discipline expertise.
- **Exploration results reporting:** Exploration results can now be disclosed if accompanied by specified cautionary statements.
- **Mineral resource classification:** Mineral resources must be classified as measured, indicated, or inferred.
- **Inclusion of inferred resources:** Estimates of inferred mineral resources may be included in preliminary economic assessments with appropriate cautionary statements.

## The Final Rules

SRK has extensive global experience acting in a QP role to report on mineral properties in accordance with CRIRSCO standards. SRK is therefore well placed to help current and future registrants navigate the new disclosure rules. These rules:

- Require each registrant to file a property disclosure summary (overview of properties and mining operations) on EDGAR
- Permit a registrant to file a technical report summary to support its disclosure of exploration results
- Require foreign issuers to continue filing Form 20-F, but also refer to and, if required, comply with the new regulations. Canadian issuers reporting within the multijurisdictional disclosure system are the only foreign issuers likely not to require additional disclosure
- Allow companies to use an independent or internal QP
- Permit an independent QP to sign the technical report summary and provide, as a firm, the written consent required for an expert under the Securities Act without personal Section 11 liability. Internal QPs will be required to sign technical reports in their own personal capacity with Section 11 liability
- Permit a QP to determine mineral resources and reserves at any point of reference, which must be disclosed in the technical report summary
- Require a QP to consider relevant technical and economic factors likely to influence the prospect of economic extraction, including the price assumptions for each commodity
- Permit a QP to include mineral reserves in the mineral resources disclosed in a technical report summary, but require that mineral resources are also reported exclusive of any mineral reserves defined
- Define mineral reserves to include dilution and allow for losses occurring during mining
- Permit a QP to conduct either a prefeasibility or final feasibility study to support a determination of mineral reserves
- Permit a QP to include inferred resources in an economic analysis which is not a prefeasibility or feasibility study provided suitable cautionary language is used
- Subject QPs to expert liability under Section 11 of the Securities Act, subject to specified factors outside the QP's expertise, including input provided by other QPs
- Permit a registrant holding a royalty or similar interest to omit any information required under the summary or property disclosure provisions that it cannot access without unreasonable burden or expense
- Require tabulation of individual property disclosure provisions

## Compliance Date

Public issuers engaged in mining operations must comply with the new rules for their first fiscal year beginning on, or after, January 1, 2021. Early, voluntary compliance is permitted and encouraged by the SEC.

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## Strategy Advice and Courses

SRK offers strategic advice and short courses to help mining companies and investors understand the new disclosure requirements and provide management with a strategy for navigating the changes and achieving compliance by 2021. Refer to [www.srk.com](http://www.srk.com) for course dates and locations.



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