

Mining and Natural Resources Law

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OSC Releases Report on Mining Issuers' MD&A

The Ontario Securities Commission (the “OSC”) has published Staff Notice 51-722, *Report on a Review of Mining Issuers' Management's Discussion and Analysis and Guidance*. The Staff Notice reports on the OSC's review of Management's Discussion and Analysis (“MD&A”) disclosure filed by 100 Ontario mining issuers with market capitalization under \$100 million. The review was undertaken to alleviate challenges faced by smaller Ontario mining issuers in complying with the MD&A requirements in Part 5 of National Instrument 51-102 *Continuous Disclosure Obligations* and in Form 51-102F1.

Specifically, the OSC's review focused on:

- venture issuer disclosure
- discussion of operations
- liquidity and capital resources disclosure
- disclosure of transactions between related parties
- disclosure of risk factors and uncertainties
- reporting on use of financing proceeds

Since limited resources can make it difficult for smaller mining issuers to meet obligations under NI 51-102, the OSC published the Staff Notice as an educational tool to help issuers understand and comply with MD&A reporting requirements. The Staff Notice summarizes the review, and sets out areas for improvement and concrete examples of how improvements can be made.

The Staff Notice identifies four specific areas of improvement:

- Venture issuers without significant revenues should provide a breakdown of material components of exploration and evaluation assets or expenditures on a property-by-property basis and include a qualitative discussion of those expenditures, as well as general and administrative expenses and other materials.
- Issuers with significant exploration projects should discuss and itemize their exploration expenditures for each material property that is not at the development or production stage.
- Issuers with a working capital deficiency should discuss in detail all future cash requirements of an operating and capital nature and how projects will be funded.
- Issuers should disclose the identity of parties involved in related party transactions, as well as the business purpose and economic substance of the transaction.

The Staff Notice provides several examples of “boilerplate disclosure” that lacks the specificity required by NI 51-102. Accordingly, the Staff Notice also provides guidance on revising such language to comply with securities regulations.

Although the guidance provided in the Staff Notice is specific to mining issuers canvassed in the review, the content and disclosure examples may be helpful to issuers in all industries.

The Staff Notice is available on the [OSC website](#).

For further information on this review, please contact any member of our Mining and Natural Resources Law Group.