

**M E M O R A N D U M**

From: McCullough O'Connor Irwin LLP

Date: March 24, 2014

Re: ***MD&A Guidance for Junior Mining Issuers  
OSC Staff Notice 51-722***

On February 6, 2014, the Ontario Securities Commission (the "OSC") published a report (the "Report") that reviews the disclosure record of, and provides guidance to, junior mining issuers with respect to their MD&A obligations. The Report was prepared following a review of the MD&A provided by 100 Ontario mining issuers with a market capitalization of less than \$100 million. This memorandum summarizes the key findings of the review and guidance provided by the Report. A complete copy of the Report is attached for reference.

With respect to the OSC's review of current MD&A disclosure, the Report found that: (a) venture issuers without significant revenue from operations did not consistently provide the breakdown of material components of exploration and evaluation ("E&E") assets or expenditures; (b) issuers with exploration projects did not consistently discuss and itemize their exploration expenditures; (c) issuers with a working capital deficiency provided very general discussion or no discussion about potential sources of financing and how they plan on continuing operations; and (d) issuers did not always appropriately disclose the identity of parties involved in related party transactions.

With respect to the OSC's guidance to junior mining issuer's with respect to their MD&A obligations, the Report states that:

- 1) **Venture Issuer Disclosure:** Venture issuers without significant revenues must: (i) disclose a breakdown of the material components of E&E assets or expenditures, G&A expenses, and other material costs on a comparative basis; (ii) present E&E assets or expenditures on a property-by-property basis; and (iii) include a qualitative discussion of those expenditures;
- 2) **Discussion of Operations - Issuers without producing mines:** Issuers with significant projects that have not yet generated revenue must disclose useful information for each material property or project that is not at the development or production stage including: (i) description of the project; (ii) work completed and expenditures made during the period; (iii) current status of the project plans and budgets; and (iv) how expenditures relate to anticipated timing and cost to take the project to the next stage of the project plan.
- 3) **Discussion of Operations - Issuers with producing mines:** Issuers with producing mines or mines under development must include useful disclosure on a property -by-property basis about: (i) development and production milestones; (ii) mineral resources and mineral reserves; and (iii) operating and production information.
- 4) **Liquidity and Capital Resources:** To be meaningful, the discussion of liquidity and capital resources must address in detail all future cash requirements of an operating and capital nature

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and how they will be funded. Simply disclosing that management believes it has sufficient resources to fund currently planned exploration or development is not sufficient.

- 5) **Related Party Transactions**: By virtue of their nature, transactions between related parties lack the independence inherent in arm's length transactions. Investors need to understand who the specific parties involved are, the business purpose and economic substance of related party transactions so they can understand the rationale for the transactions and the impact on the business.
- 6) **Risk Factors and Uncertainty**: To be meaningful to investors, risk disclosure needs to be entity-specific and updated regularly.

Please feel free to contact us if you have any questions with respect to the Report.

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