

**NOTICE OF RULE 2001-1
UNDER *THE SECURITIES ACT***

**NATIONAL INSTRUMENT 43-101, STANDARDS OF DISCLOSURE FOR MINERAL
PROJECTS, FORM 43-101F1-TECHNICAL REPORT, AND COMPANION POLICY 43-
101CP**

AND RECISSION OF

**NATIONAL POLICY STATEMENT NO. 2-A, "GUIDE FOR ENGINEERS,
GEOLOGISTS AND PROSPECTORS SUBMITTING REPORTS ON MINING
PROPERTIES TO CANADIAN PROVINCIAL SECURITIES ADMINISTRATORS",
(" NP2-A")**

A. Notice of National Instrument, Companion Policy, and Form (the "Instruments")

The Manitoba Securities Commission has made National Instrument 43-101 Standards of Disclosure for Mineral Projects (the "National Instrument") and Form 43-101F1 (the "Form") a Rule under *The Securities Act* effective February 1, 2001. The Manitoba Securities Commission has adopted Companion Policy 43-101 CP (the "Companion Policy") as a policy also effective February 1, 2001. The Companion Policy adopts by reference the Canadian Institute of Mining, Metallurgy and Petroleum-Definitions as a guideline. These definitions were adopted by the CIM Council August 20, 2000 and are attached to the Companion Policy.

The National Instrument and Form are an initiative of the Canadian Securities Administrators ("CSA") and are expected to be adopted as a rule in each of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and Newfoundland, as a Commission regulation in Saskatchewan, and as a policy in all other jurisdictions represented by the CSA.

The CSA published for comment a draft of the National Instrument first in June 1998 and then again in March 2000 (the "March 2000 Draft"). During the comment periods, the CSA received submissions from a number of commenters. Forty-seven commented on the March 2000 Draft. The names of these commenters and the summary of their comments, together with the CSA responses to those comments, are contained in Appendix A and B, respectively, of this Notice. Manitoba published for comment the March 2000 draft of the National Instrument, the Form and the Companion Policy on April 12, 2000.

As a result of consideration of the comments, the CSA have made a number of amendments to the National Instrument. However, as these changes are not material, the CSA are not republishing the National Instrument and the Form for a further comment period.

Concurrently with making the National Instrument and the Form, The Manitoba Securities Commission rescinded National Policy Statement No. 2-A, "Guide For Engineers, Geologists and

Prospectors Submitting Reports on Mining Properties to Canadian Provincial Securities Administrators", ("NP2-A").

B. Substance and Purpose of National Instrument, Form and Companion Policy (the "Instruments")

The Instruments originated with the reformulation of NP2-A. NP2-A set out requirements for the preparation of technical reports that were required to be filed by issuers with mineral projects in connection with certain prospectus offerings.

The Instruments consolidate and expand significantly on the NP2-A disclosure and reporting requirements. The purpose of National Instrument 43-101 is to enhance the accuracy and integrity of public disclosure in the mining sector.

The Instruments establish standards for all oral statements and written disclosure made by an issuer concerning mineral projects that are reasonably likely to be made available to the public. All disclosure concerning mineral projects, including oral statements and written disclosure in news releases, prospectuses and annual reports, is to be based on information prepared by or under the supervision of a qualified person. Disclosure of mineral resources and mineral reserves is to be made in accordance with industry standard definitions approved by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and incorporated by reference into the National Instrument.

In certain circumstances, the disclosure must be supported by a written technical report prepared and certified by a qualified person in accordance with the Form and filed by the issuer with the securities regulatory authorities. In specified circumstances, the technical report must be prepared and certified by a qualified person who is independent of the issuer.

The Instruments are consistent with the recommendations of the Final Report of the TSE-OSC Mining Standards Task Force. The CSA are of the view that the Instruments will enhance investor protection and the fairness and efficiency of capital markets.

The CSA has formed a Mining Technical Advisory and Monitoring Committee (the "MTAMC") to advise the CSA on issues relating to disclosure standards for the mining industry. More information on the MTAMC is provided in a separate CSA Notice published concurrently with this Notice.

C. Summary of Changes to Instruments from the March 2000 Draft

Changes of a substantive nature that have been made to the Instruments are summarized here. Several of these changes and other changes that are less substantive in nature are discussed in greater detail in Appendix B of this Notice. For a detailed summary of the contents of the March 2000 Draft, reference should be made to the notice that was published with the March 2000 Draft. Manitoba published for comment the CSA March draft on April 12, 2000.

National Instrument 43-101

1. Definition of "adjacent property"

The branch of the definition which required an adjacent property to have a boundary lying within two kilometres of the closest boundary of the property being reported on has been deleted and replaced with the requirement that an adjacent property have a boundary reasonably proximate to the closest boundary of the property being reported on. This change was made in response to comments received that a two kilometre boundary is often inappropriate depending on the scale of the property and its stage of development. As a result, a technical report may now include information on an adjacent property whose closest boundary lies more than two kilometres from the closest boundary of the property being reported on provided that it is proximate to and has geological characteristics similar to those of the property being reported on and the conditions set out in Item 17 (formerly Item 16) of the Form are complied with.

The two kilometre limit, however, has been maintained for the purpose of determining if a qualified person is independent of the issuer in section 1.5(4)(e). The term "adjacent property" is no longer used for this purpose.

2. Definition of "data verification"

The CSA have added a definition of "data verification" at the suggestion of commenters. These commenters advised that the proposed instrument should clearly cover two separate but related processes that are important: (i) the process of checking that data have been accurately transcribed from the original source; and (ii) the process of checking that the data are suitable to be used because they have been obtained from a reliable source in an appropriate manner.

The term "data verification" was chosen as it is a common industry term, and the definition was added to clarify that both processes are important for the adequate checking of data.

3. Definition of "disclosure document"

The CSA added a definition of "disclosure document" which means an annual information form, prospectus, material change report, or annual financial statement. This term appears in subsections 4.2 (1) 2 and 4.2 (1) 6 of the National Instrument. Disclosure that is incorporated by reference into, or that appears in, a preliminary short form prospectus, an annual information form, or an annual report filed after the effective date of the National Instrument, but that appeared in a disclosure document filed prior to February 1, 2001, is "grandfathered" under the National Instrument. The filing of a new technical report is not triggered unless there is new material information contained in the disclosure.

4. Definition of "exploration information"

The CSA have deleted section 1.4 of the Companion Policy and the phrase "or to expand or further develop an existing mineral resource or reserve" in the definition of "exploration information".

These changes were made to recognize that exploration information may be material disclosure at any time during the life of a mineral project.

5. Definition of "feasibility study"

The CSA received several comments objecting to the reference in the definition to the feasibility study being sufficient "for a qualified person experienced in mineral production activities, acting reasonably" to make a production decision. This standard was confusing to commenters since a production decision is not made by the qualified person but by the issuer and its sources of financing and/or capital. As a result, the National Instrument was amended so that the standard for a feasibility study is that it "could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production."

6. Definition of "geoscientist"

Several commenters suggested that the definition of "geoscientist" should be deleted as it is unnecessary and inappropriate. These commenters pointed out that self regulatory associations are the appropriate bodies to determine whether an individual is eligible to be considered a geoscientist and that this was consistent with the intent of the proposed National Instrument. The CSA agree with these comments and have deleted the definition of "geoscientist".

7. Definition of "professional association"

The CSA amended the definition of "professional association" so that the period for which an association of geoscientists in Ontario will be deemed a professional association has been shortened from two years to one year. This amendment recognizes the passing, in Ontario, of the third reading of the Professional Geoscientists Act on June 22, 2000. As a result, the CSA concluded, in consultation with the Association of Professional Geoscientists of Ontario, that potential qualified persons in Ontario would be able to comply with the requirements of the definition in a shorter period of time. The two year deeming period, however, remains for associations of geoscientists to be established in other Canadian jurisdictions.

The CSA also recognize that there may be some non-Canadian residents who are not a member of a professional association as that term is defined in the National Instrument. The CSA intends to seek advice on this issue. The CSA will also follow the developments of the International Professional Geology Conference and the Council of Mining and Metallurgical Institutes (CMMI) which are exploring the concept of an international geoscientist association among qualified persons in Australia, Canada, Great Britain, South Africa and the United States, with a view to possibly recognizing certain foreign professional associations that do not meet all of the requirements of the definition, as well as develop a list of acceptable professional associations for reference purposes.

In the meantime, however, issuers that wish to retain persons who are not members of an association that meets the requirements of the definition will have to consider making an application for exemptive relief. Alternatively, issuers should be aware that Canadian provincial professional associations generally permit out of province residents as members.

8. Definitions of Mineral Resources and Mineral Reserves

The CSA received many comments urging the CSA to adopt the standards for classification of mineral resources and mineral reserves recommended by the CIM. The CSA agreed in principle, that deferring to industry developed standards would be appropriate, however, the CSA faced a problem in that the CIM was in the process of revising mineral resource and mineral reserve definitions. The CSA kept in close contact with the CIM and provided comments so that the definitions would be satisfactory for securities regulatory purposes.

On August 20, 2000, the National Council of the CIM adopted new mineral resource and mineral reserve definitions. The CSA are satisfied that the definitions adopted are appropriate for use in the National Instrument and have incorporated these definitions by reference into the National Instrument in sections 1.3 and 1.4. While only the bolded definitions themselves are incorporated by reference into the National Instrument, the CSA will look to the CIM Standing Committee's report for interpretive guidance on the definitions. A copy of the definitions and the relevant interpretive guidance can be found attached as the appendix to the Companion Policy.

Some commenters have suggested that the proposed Instrument automatically incorporate changes made to the mineral resource and mineral reserve definitions by the CIM from time to time. The CSA recognize that definitions of mineral resources and mineral reserves continue to evolve in the industry. Changes to the definitions of mineral resources and mineral reserves adopted by the CIM will automatically be incorporated by reference into the rule.

9. Disclosure of Target Potential

Section 2.3 of the National Instrument was amended in response to comments that the prohibition against disclosure of an estimate of quantity or grade of a deposit unless a qualified person has estimated a mineral resource or mineral reserve, was too broad and would prohibit disclosure of target potential. Commenters argued that this information is meaningful to investors and that prohibiting it could lead to selective disclosure.

The general prohibition against disclosure of an estimate of quantity and grade that has not been classified as a mineral resource or mineral reserve by a qualified person has been maintained in subsection 2.3(1)(a). A new subsection 2.3(1)(b) was also added prohibiting the disclosure of the results of an economic evaluation which uses inferred resources as a basis for the economic evaluation.

Despite subsection 2.3(1)(a), subsection 2.3(2) permits an issuer to disclose in writing potential quantity and grade of an exploration target provided that the disclosure includes: (1) the basis for the potential; and (2) a proximate statement that potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a mineral resource on the property and it is uncertain if further exploration will result in discovery of a mineral resource on the property.

10. Disclosure of Preliminary Assessment

Despite subsection 2.3(1)(b), subsection 2.3(3) permits an issuer to disclose in writing a preliminary assessment that includes an economic evaluation which uses inferred mineral resources, provided that the preliminary assessment is a material fact or a material change in the affairs of the issuer. The disclosure includes: 1) the basis for the preliminary assessment, the qualifications and assumptions made by the qualified person, and appropriate cautionary language.

In addition, issuers that are reporting issuers in Ontario, are required to prefile the assessment and technical report for a five-day non-objection period by the Director.

Subsection 2.3(4) was also added to ensure that the terms pre-feasibility study, preliminary feasibility study and feasibility study were only to be used if the studies referred to satisfy the requirements of the relevant definitions in the National Instrument.

11. Disclosure of Historical Estimates

Section 2.4 was amended to limit the disclosure of historical estimates of mineral resources and mineral reserves to: (1) historical estimates prepared by or on behalf of a person or company other than the issuer; and (2) historical estimates that accompany disclosure of mineral reserves and mineral resources made in accordance with section 2.2.

12. Obligation to File Technical Report in Connection with a Short Form Prospectus, Annual Information Form, or Annual Report

It came to the attention of the CSA that issuers that are eligible to use the POP System in National Policy Statement No. 47 or proposed National Instrument 44-101 may never have filed a technical report or a report prepared in accordance with National Policy Statement No. 2-A. As a result, subsections 4.2(1)2 and 4.2(1)6 of the National Instrument have been amended to "grandfather" disclosure describing mineral projects on a property material to the issuer contained in a disclosure document (as well as in a report under National Policy Statement 2-A) filed before February 1, 2001.

13. Use of Foreign Codes

In accordance with comments received, the National Instrument now permits Canadian issuers to use reserve and resource definitions in certain foreign codes with respect to properties located in a foreign jurisdiction provided the disclosure based on the foreign codes is reconciled to the definitions required by the National Instrument.

The National Instrument was also amended to permit issuers to make disclosure using the resource and reserve definitions in foreign codes, in addition to being permitted to use foreign codes in technical reports, provided that the disclosure includes a reconciliation.

14. Certificates of Qualified Persons

A few commenters suggested that the requirement that the qualified person certify that the technical report was prepared in accordance with generally accepted mining industry practice was inappropriate and could create confusion. The CSA agree and deleted this requirement. The standards required of the qualified person are within the proper purview of the professional organizations.

Companion Policy 43-101 CP

1. CSA Sub-Committee and Industry Committee

Section 1.2 was inserted into the Companion Policy to recognize that mining industry standards are undergoing significant changes in Canada and internationally. The Companion Policy further states that the CSA will monitor these changes and consider recommendations from their staff and external advisors for amendments to the Instrument, from time to time.

2. CIM Mineral Resource and Mineral Reserve Definitions

The Companion Policy was amended to recognize that the Instrument incorporates the mineral resource and reserve definitions adopted by the CIM by reference. The CSA encourages issuers and qualified persons preparing technical reports to consult the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines for further guidance on the interpretation and application of these definitions. A copy of the definitions and guidelines can be found attached as the appendix to the Companion Policy.

3. Preliminary Feasibility Study

Subsection 1.6(b) of the Companion Policy was amended to advise that the considerations or assumptions underlying a study must be reasonable and sufficient for a qualified person, acting reasonably, to determine if the mineral resource may be classified as a mineral reserve in order for a study to fall within the definition.

4. Prohibited Disclosure

Section 2.3 was inserted into the Companion Policy to provide guidance on the interpretation of section 2.3 of the Instrument. The Companion Policy also advises that the limited written disclosure contemplated in subsection 2.3(2) and 2.3(3) should be sufficient to allow the reader to make a considered and balanced judgment of its significance.

Transition

National Instrument 43-101 came into effect on February 1, 2001. Certain transitional measures are built into this National Instrument.

The coming into force of the National Instrument will not itself necessarily trigger an immediate obligation to file a technical report prepared in accordance with the National Instrument. For most issuers affected by the National Instrument, the requirements concerning technical reports would first apply in connection with an annual report, annual information form or preliminary prospectus filed after the National Instrument comes into effect. In some cases these requirements would apply earlier, for example, in connection with disclosure of new or materially changed estimates of mineral resources and mineral reserves on a property material to the issuer, after the coming into force of the National Instrument.

D. Rescission of National Policy Statements

The Manitoba Securities Commission has also rescinded NP2-A, effective February 1, 2001.

Text of Rescission of National Policy Statement No. 2-A

"National Policy Statement No. 2-A, Guide For Engineers, Geologists and Prospectors Submitting Reports on Mining Properties to Canadian Provincial Securities Administrators is rescinded."

E. Text of the Instruments

The text of the National Instrument, the Form and the Companion Policy follows.

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