



RESERVES REPORTING

SME, SEC, AND CRIRSCO

UPDATE

A brief overview of what has transpired since PEM Seminar 2018



NEW LAWS ARE IN EFFECT

- Regulation S-K 1300 is law, effective February 25, 2019.
 - 17 CFR 229.1300 et. seq.
- Compliance deadline for S-K 1300 is January 1, 2021.
- FAST act Modernization and Simplification of Regulation S-K, effective May 2, 2019.
 - Ability to omit confidential information from material contracts so long as the information is (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.
 - With respect to Regulation S-K, Item 102 (Property Disclosure), registrants will need to provide disclosure about a physical property only to the extent that it is material to the registrant. *(Consistent with S-K 1300).*



NUTS & BOLTS

- S-K 1300 largely adopts the CRIRSCO template for Exploration Results, Mineral Resources, and Mineral Reserves.
- Increased liability is placed on Qualified Persons (QP).
 - Clearly, the SEC wants independence for disclosure of exploration results, mineral resources, and/or mineral reserves.
- Summary disclosure allowed for non-material mineral properties.
 - Still very prescriptive list of disclosure requirements.
- Individual disclosure and Technical Report Summaries (601(b)96) required for material mineral properties.
 - TRS has many similarities to Canada's NI 43-101 Form F1 Technical Report



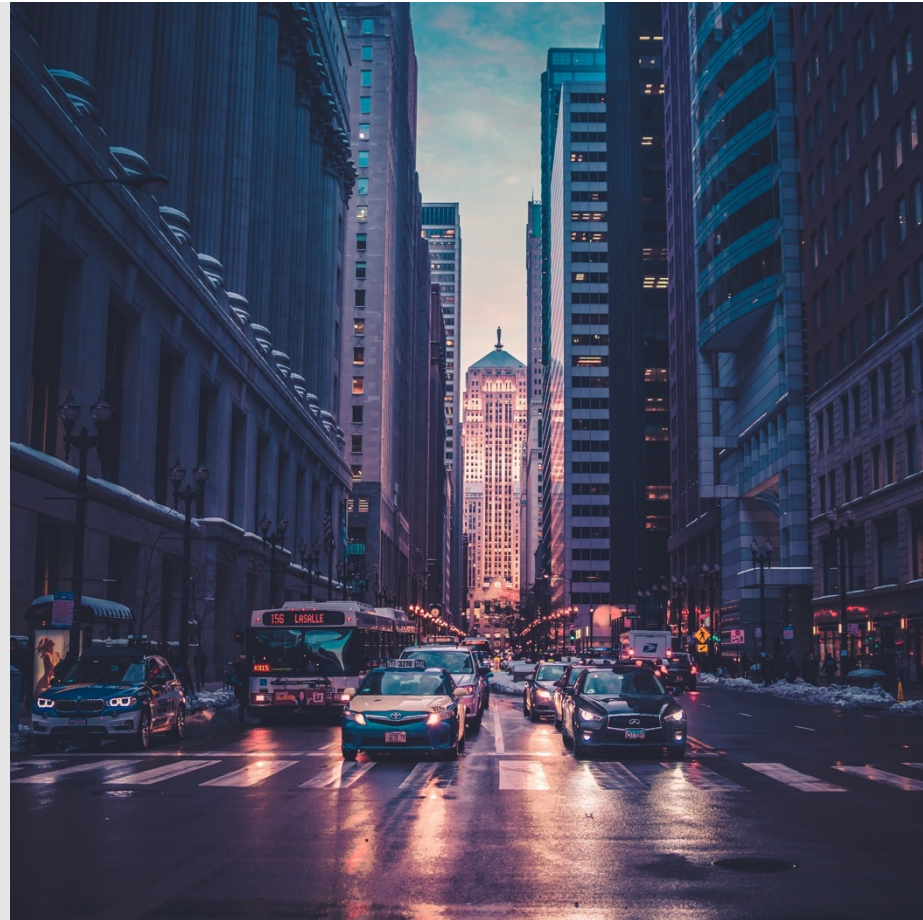
NET EFFECT



INDUSTRY GUIDE 7

IG7 only allowed the reporting of Proven and Probable Reserves. Exploration results and Mineral Resources were not allowed to be reported.

SEC Staff used the SME Guide and/or the CRIRSCO template as interpretive document to IG7.



S-K 1300

IG7 is rescinded.

Technical Report Summaries are very prescriptive in what must be disclosed.

QP are subject to Section 11 liability. Advised not to certify a TRS as the sole QP.

The increased disclosure requirements may challenge some registrants with confidentiality matters whereby Confidential Treatment Requests (CTR) may be more essential.

UPCOMING

- September 11 workshop following the CRIRSCO annual meeting in D.C.
 - Representatives from NMA, SME, SEC, CRIRSCO, and industry.
 - Webinar access to the live meeting available through SME.
- CRIRSCO 2019 Template
- SME Resources & Reserves Committee
 - Probable 2020 SME Guide update
 - Possible Advisory Bulletins to bridge the SME Guide to S-K 1300 on key issues.

Visit the Committee web page at smenet.org for updates.



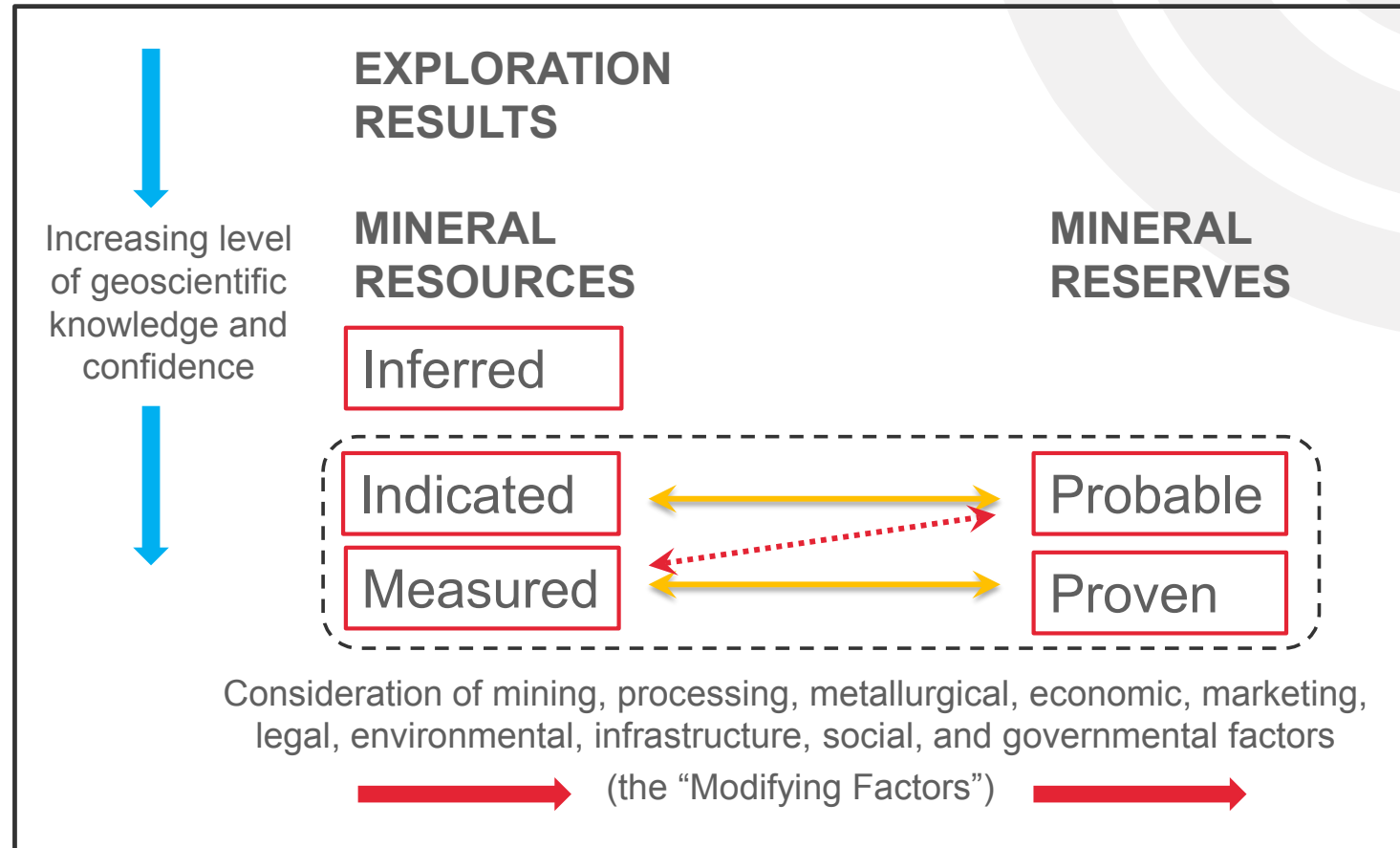
Ethics in Reporting

A brief reflection on some trends we are observing with resources and reserves reports.

- Private reports of resources and reserves (e.g. minerals appraisals) are being used for eminent domain, investment, lending, and tax related purposes.
 - Increased chances for litigation.
 - IRS tax court cases questioning the value of conservation easements and charitable donations.
- Newcomers to the mining business pressure QP to declare “Reserves” in order to secure investment.
 - Payment for services contingent upon the outcome of the Reserves statement.
- Imperative that we follow the SME Guide when preparing and certifying reports.
- Mineral Resources
 - Managing investor expectations that reported resources will be upgraded to reserves with further study.



CRIRSCO TEMPLATE



CONSERVATION EASEMENTS

“Any taxpayer who has or intends to take a deduction for a conservation easement needs to be aware that this deduction has faced ever increasing scrutiny from the IRS.” – *Buck Buchanan, Director, Tax Controversy Services, KPMG (US)*

Charitable Conservation Easement Program Integrity Act

H.R. 4459 (115th) was introduced on November 28, 2017, in a previous session of Congress, but was not enacted.

Charitable Conservation Easement Program Integrity Act of 2019

S. 170 Introduced on Jan 16, 2019. This bill is in the first stage of the legislative process. It will typically be considered by committee next before it is possibly sent on to the House or Senate as a whole. Also see H.R. 1992 (116th) on Mar 29, 2019, is identical. Limits a partner's deduction when the contribution is made by the partnership.

IRS, 26 CFR 1, IRS Docket IRS-2018-0025. Contributions in Exchange for State or Local Tax Credits, Final regulations. Federal Register Vol. 84, No. 114, 6/13/2019, effective 8/12/2019, applicable to transactions made after 8/27/2018. Federal charitable gift deduction may be reduced by state or local tax credits. (i.e. Cannot *Double-dip*).



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ASTM D8215 - 19A

- ASTM Technical Committee D05 (www.astm.org/COMMIT/D05)
- Standard Practice for Statistical Modeling of Uncertainty in Assessment of In-place Coal Resources
- ASTM News Release #10874, September 3, 2019
- Original methodology developed by the USGS (Scientific Investigations Report 2014–5196)



Q&A



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