

SEC Mining Disclosures

Implementing the SEC's rules modernizing property disclosures

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Welcome



Matthew

Sullivan

Matthew is a Senior Mineral Economist at SRK Consulting with nine years of experience analyzing, optimizing, and valuing mining operations from internal and external positions. He has extensive experience designing and leading diligence processes for mining assets ranging from early stage exploration through to operating mines. His specializations include mining sector financial modeling and analysis; mergers and acquisitions, due diligence planning and execution, strategic business planning and initiatives, risk management and assessments, operations research and optimizations, and process controls and improvements.



Brian

Murrell

Brian is a Risk Advisory Partner and also serves as the Deloitte US R&FA Digital Risk Transformation Leader. He has over 20 years of experience helping utilities with financial accounting, reporting and related internal controls. He supports Deloitte's audit and non-audit clients by bringing both perspectives in considering practical challenges faced by utility finance and controllership functions; including SOX internal controls design & implementation, testing operating effectiveness and helping remediate any identified issues.



Alexie

Tune

Alexie is an Audit & Assurance Managing Director and also serves as the Deloitte Private Audit Leader for Denver. She has over 20 years experience serving clients with her primary focus in the energy industry where she is a member of Deloitte's Energy and Resources Practice. She has experience serving mining, oil and gas, midstream, alternative energy, clean tech and independent power producers. She is also certified in IFRS and has experience working with multi-national companies.

Agenda



Discussion Topics

1

Breaking down the SEC requirements

2

Evaluating the impact

3

Internal control & external audit considerations

4

Closing commentary



Polling question #1







Breaking down the new SEC disclosure requirements

What is required & what will the impact be?



What are the new requirements?

	Current Guidance	New Guidance
 Mineral reserves	Supported by final feasibility study	Supported by pre-feasibility study or feasibility study
 Mineral resources	Disclosure permitted only when required by foreign law (Canada NI 43-101)	Disclosure required using three categories: measured, indicated, and inferred
 Exploration results	Not discussed	Disclosure required if material
 Qualified person	No specific requirement	Qualified Persons must be involved in the preparation of disclosures

Content throughout is derived from subpart 1300 of Regulation S-K.

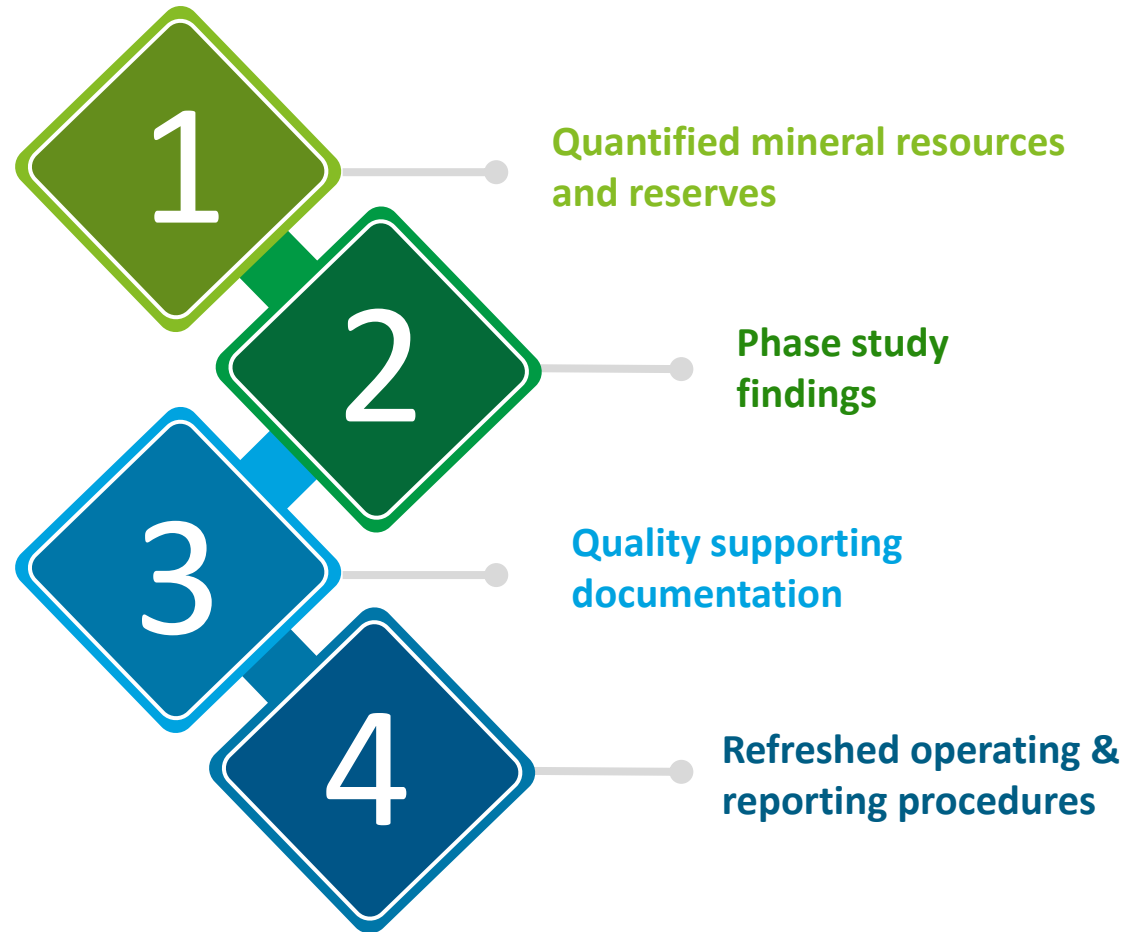


Evaluating the impact

What will it take to comply?



Regulated disclosure is critical to investors as they require identification and understanding of fatal flaws and quantification of risks inherent to a mineral project.



Evaluating the impact (contd.)

What will it take to comply?

A significant number of Qualified Persons are involved and each require unique data sets.

Disciplines		Focus
Geology	➡	QA/QC, database, block models, resource, etc.
Geotechnical	➡	Rock quality assumptions, design implications, etc.
Mining	➡	Mine design (shapes, rates, sequence), costs, reserve, etc.
Metallurgy and Process	➡	Process design, forecast, rates, costs, etc.
Infrastructure	➡	Layout, future needs, costs, etc.
Tailings	➡	Capacity, location, etc.
Hydrogeology	➡	Water management, risks, etc.
Environmental and Permitting	➡	Permits, environmental status, risks, etc.
Economics	➡	Cashflow, product markets, etc.

Integrity and traceability of provided data is of key concern.

Evaluating the impact (contd.)

What will it take to comply?

Preparation of a technical report & required disclosure will require:



Well-developed project, technical and management skills



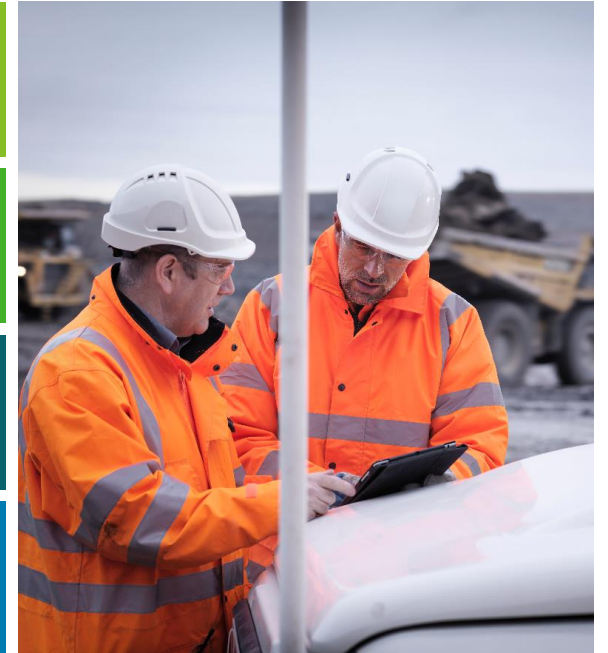
Clear understanding of the required work to complete conceptual to feasibility studies



Independent management and coordination of multidisciplinary and multicultural teams



Independent confirmation on the fairness and accuracy of key inputs and assumptions



Evaluating the impact (contd.)

What will a qualified person need?

To support the qualified person, companies are required to compile geological findings and sampling information, and mining plans that inform modifying factors to the estimation of mineral resources and reserves.



Polling question #2



Internal Control & External Audit Considerations



Internal control considerations



Companies should consider circumstances and unique risks that may only be present during the adoption period and evaluate whether “one-time” internal controls need to be designed exclusively for the adoption period.

Potential Risks of Adoption



The mineral resource assessment does not include an assessment of technical, economic, and operational factors



Disclosures are incomplete, and/or accumulated amounts for financial statement disclosures are incorrect




The feasibility study used for the mineral reserve does not appropriately include an economic analysis





Material exploration results are not properly disclosed

Internal control considerations (contd.)



Management should consider whether appropriate controls are in place to support (1) any necessary IT changes (including change management controls and (2) the accuracy of the information used by the entity in providing the required disclosures.

 Potential Challenge	 Example of Internal Control Practice
Information requirements have not been updated to support the reporting (e.g., interim and annual requirements, including those related to disclosures) required under the new standard.	Management establishes data governance, policies, and standards for identifying and resolving data gaps and implements processes to verify the quality of information needed for implementation of the new standard.
Financial inputs used by qualified persons in the Technical Report and related disclosures are not consistent with those used within the audited financial statements	The Financial Reporting Department reviews the Technical Report and related financial statement inputs and ties them to source data. The Financial Reporting Department also performs a final tie-out of related disclosures to verify accuracy.
Material exploration results are not properly disclosed.	The Financial Reporting Department periodically meets with the Corporate Mine Engineering group to establish the materiality threshold. The Financial Reporting Department reviews the disclosure to ensure compliance with material disclosure requirements.

What might your external financial statement auditor be concerned about?

While your financial statement auditor will rely on your qualified person's work, they may be concerned with specific financial estimates or assumptions that directly impact your disclosures.

Materiality Assessment

- Evaluate the appropriateness and consistency of the quantitative & qualitative factors utilized in materiality conclusions

Selection of qualified person

- Consistent with assessment of other third-party experts utilized, your auditor will likely conduct inquiries with the qualified person to understand key considerations & procedures

Operational Inputs and Assumptions

- Economic forecasts: commodity pricing, inflation rates, exchange rates, SG&A, and marketing expenses
- Governmental & regulatory considerations
- Mineral asset valuation: free cash flows, discount rates, estimation of terminal value

Internal Control Considerations

- Changes to disclosure or other key controls

Consistency of Financial Inputs

Financial inputs used in the disclosures should be consistent with audited financials

What will your external auditor be looking at?

Best practices for ensuring a smooth audit the first year of adoption

1

Engage your external auditors early in the conversation



2

Be diligent & thorough in your documentation of key considerations and conclusions



3

Anticipate challenges and questions early to avoid last minute roadblocks



Polling question #3



Wrap up



SEC Mining Disclosures

Services to help you **prepare for the implementation** of the SEC's rules modernizing property disclosures



To comply with the Securities and Exchange Commission's (SEC) modernization of property disclosure requirements, **it is vital that your company invest the time and resources necessary** to be adequately prepared. Many companies struggle with:

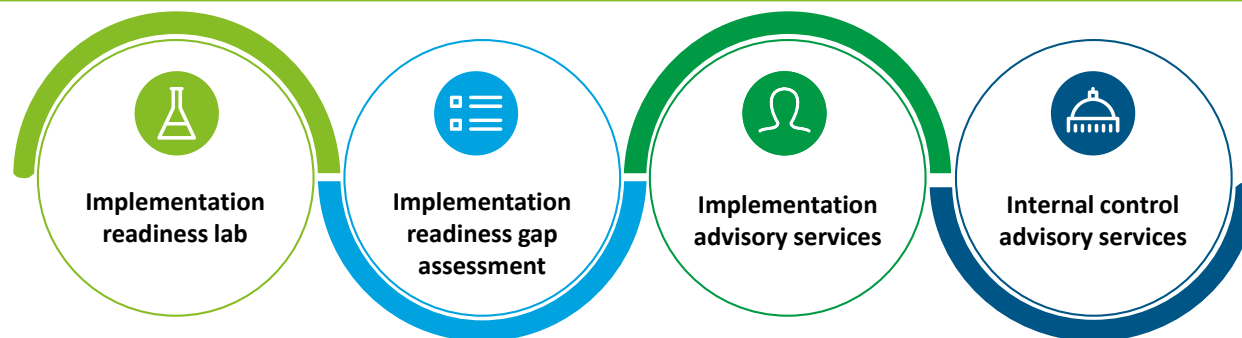
- Understanding the details required by a Qualified Person¹ to prepare the technical report
- Identifying and gathering accurate and complete historical data to support disclosures
- Maintaining audit evidence to support estimates
- Implementing an appropriate project plan to strive for a timely implementation

The consequences of being unprepared can be significant and may result in:

- Delays in required financial statement filings
- Internal control deficiencies
- Inability of Qualified Person to sign off on technical report

Deloitte can advise you with planning insights and strategies for navigating roadblocks you may face as you develop your property disclosures.

Our portfolio of services can be tailored to assist you at any phase of your property disclosure implementation journey:



Deloitte's Approach

Our approach to implementation and disclosure preparedness

We have used our years of experience as a leading provider of integrated audit and advisory services and new standards implementations to develop the tools your company may benefit from to prepare for implementation of the disclosure requirements. By using a streamlined approach and leveraging our experience with SEC reporting and the related internal controls as well as our mining knowledge, we can work with you to aggregate required data, verify accuracy and completeness of historical details, and identify gaps in your implementation and disclosure readiness plan. We can draw upon the mining, geology and engineering experience of the Deloitte Technical Mining Advisory group, who have implemented similar standards globally at some of the world's most complex mining companies, as needed.

¹As defined by the SEC:

<https://www.sec.gov/corpfin/secg-modernization-property-disclosures-mining-registrants>.

Implementation readiness lab

Immerse yourself in a half-day live session hosted by Deloitte professionals and tailored to your company.

- Overview of the property disclosure requirements
- Insights from Qualified Persons
- Keys to developing a successful project plan
- Leading practices for gathering data and maintaining appropriate evidence
- Internal controls expectations

The goal of the lab is to provide you targeted areas of focus and clearly defined next steps as you near implementation of the new disclosure requirements.



Implementation advisory services

A dedicated Deloitte professional to guide you through implementation of the disclosure requirements

This professional will serve as a liaison between your company and your Qualified Person and your external auditor; example activities include assisting in the compilation of data required for the technical report, assessing the accuracy and completeness of documentation, and assisting with drafting required disclosures

Implementation readiness gap assessment

Determine whether your company has an adequate understanding of the reporting requirements, internal controls, staffing, and technology to undergo adoption and implementation of the new disclosure requirements.

In addition, we can provide advice and recommendations around complex areas that require judgment, including:

- Valuation and materiality of property
- Commodity pricing estimates
- Complex contract terms, including hedging arrangements
 - Economic analyses and forecasts
 - Related internal controls

Internal control advisory services

Using our experience related to mining and disclosure-related internal controls and Sarbanes-Oxley (SOX,) our deep technical knowledge of auditing and technical accounting, and our ability to leverage the capabilities of the Deloitte Technical Mining Advisory Group, we provide quality internal control services scaled to your company's needs. We also advise on integration of internal controls pertaining to new disclosure requirements and related to the records used to create the disclosures.

The Deloitte difference

Businesses across the maturity spectrum look to Deloitte for high-quality accounting and reporting advisory services. They value the compelling combination of deep domain knowledge, industry specialization, skilled application of experience, and our many technology and process innovations. They benefit from exclusive access to the individualized attention of our skilled, experienced, and strategic specialists. Deloitte can work with you as you navigate through your urgent questions as you prepare for the disclosure implementation.

Let's talk

Contact us to gain a new perspective on navigating the implementation process.



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