

## National Instrument 43-101: Disclosure on Exploration Targets

Alexander Pizale, Gregory Hogan, Maria Tapia

September 13, 2024

There is often a desire by issuers to disclose the exploration potential before a property has a defined mineral resource estimate. This situation usually occurs for early-stage properties that issuers believe are highly prospective, or when issuers are looking to expand a project beyond previously identified mineral resources and/or mineral reserves. This can be used to justify the allocation of time and funds to the prospective area, or simply to market the project as an investment opportunity. It is possible to disclose such exploration potential, but only within certain strict limits.

It is well established that National Instrument 43-101 (NI 43-101) prohibits issuers from disclosing the quantity, grade, or metal or mineral content of a deposit that has not been categorized as a mineral resource or a mineral reserve. However, to balance this restriction with ensuring market participants are adequately informed, NI 43-101 allows for the disclosure in writing of the potential quantity and grade of a target for further exploration if the disclosure:

- expresses the quantity and grade as *ranges*
- states with *equal prominence*:
  - that the potential quantity and grade is conceptual in nature
  - that there has been insufficient exploration to define a mineral resource
  - that it is uncertain if further exploration will result in the target being delineated as a mineral resource
- includes *the basis* on which the disclosed potential quantity and grade has been determined

Regulators have identified the following common deficiencies related to disclosure of exploration targets:

- not disclosing the quantity and grade as ranges
- failing to include the prescribed cautionary language
- unrealistic and untestable exploration targets, such as those with no explanation of the basis for the data
- extrapolating resource grades into unsampled areas
- creating a block model with a cut-off grade for this purpose, which should result in a mineral resource estimate
- using an exploration target as a proxy for a mineral resource or a mineral reserve estimate (and making a production decision)

# Cassels

- disclosing an economic analysis on an exploration target, which is specifically prohibited under NI 43-101

Failure to comply with the above-noted requirements may result in corrective news releases being required or other regulatory actions.

An example of appropriate disclosure of an exploration target is as follows:

*“The Company believes that the property has the potential for # to # oz Au contained within # to # Mt grading at # to # g/t Au. This is based on previous exploration on the property, including over # historic drill holes. The exploration target potential was derived by modeling the identified vein systems, and their surrounding “halo” mineralization, as evidenced by drill intercepts in the exploration target area, across vertical long sections of mine area. The volume of the modeled areas determines the potential tonnage statement in the exploration target. The grade range given in the exploration target is determined with consideration to the drill results within the modeled exploration target area and consideration of the geological setting in an established mining camp where grades are generally observed to increase with depth. The potential tonnages and grades are conceptual in nature and are based on previous drill results that defined the approximate length, thickness, depth and grade of the portion of the historic mineral resource estimate. There has been insufficient exploration to define a current mineral resource and the Company cautions that there is a risk further exploration will not result in the delineation of a current mineral resource.”*

While NI 43-101 allows for disclosure of targets and mineralization potential of a property, there remains a strict prohibition on disclosure of the results of an economic analysis that includes or is based on an exploration target, as such information is conceptual and has even less confidence than inferred mineral resources. Issuers are reminded that the regulators take a broad interpretation of what will constitute an economic analysis for this purpose. For example, disclosure of forecast mine production rates that might contain capital costs to develop and sustain the mining operation, operating costs and projected cash flows may all be considered an economic analysis.

Overall, it is important that issuers take the above considerations into account prior to the disclosure of an exploration target in their public disclosure.

[For more on NI 43-101, find all of our articles in this series here.](#)

---

*Cassels has distinguished itself in the vanguard of the mining industry, offering the largest and most experienced dedicated mining group of any major Canadian law firm. Led by [Jen Hansen](#) and [Jennifer Traub](#), we are proud to be consistently ranked as Tier 1 for mining law by Chambers Canada. To learn*

# Cassels

more, visit [cassels.com/mining](https://cassels.com/mining).

---

*This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.*