PROSPECTORS & DEVELOPERS ASSOCIATION OF CANADA | ASSOCIATION CANADIENNE DES PROSPECTEURS ET ENTREPRENEURS

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RE: CSA Consultation Paper 51-406 Modernizing the Regulation of Public Companies

The Prospectors & Developers Association of Canada (PDAC) is the leading voice of the mineral exploration and development industry, representing over 9,000 individual and corporate members in Canada and around the world. Our work is focused on fostering a competitive, responsible, and sustainable mineral industry. Mineral issuers represent the largest cohort of public issuers in Canada, accounting for more than a third of all companies listed on domestic exchanges and roughly half of the equity raised over the last two years. The vast majority are junior exploration companies, which will be among the most affected cohorts by the outcomes of this Consultation Paper.

PDAC welcomes CSA's multi-year effort to modernize the regulatory framework for reporting issuers and appreciates the opportunity to comment on the proposals. Our commentary has been developed in consultation with PDAC's capital access committees, drawing on the expertise of issuers, investors, securities lawyers, accountants, consultants, former regulators, and other advisors.

General views on the Consultation Paper are summarized below.

A) Proportionate Regulation

- We support maintaining the current exchange-based distinction between venture and non-venture issuers. It is clear, simple to apply, and makes disclosure easier for investors to compare.
- We do not support Options A, B or C as we see a risk that these measures will add complexity or uncertainty to the current framework, including through additional reporting categories, movement between categories as metrics change, or mandatory graduation before an issuer is able to absorb the additional regulatory costs.
- We recommend that CSA not remove venture issuer status solely because an issuer with a primary listing in Canada also has a secondary listing outside Canada.

B) Alternative Financial Reporting Requirements

- We support relief from IFRS requirements that are costly for venture issuers but add little value for their investors, such as complex fair value and option valuations.

- We recommend that any relief apply to all venture issuers rather than a subset, and that CSA also consider removing requirements whose cost outweighs their value to investors for both venture and non-venture issuers.

C) Hold Periods for Private Placements

- We support eliminating the four-month hold period, as we believe the historical rationales for the regime have weakened and its remaining benefits no longer justify retaining it.
- Any concern about selling pressure after closing, which is greatest for micro-cap issuers whose financings include warrants, should be addressed through a targeted measure rather than a blanket hold period.
- Rather than moving to a fully continuous market access framework, we support progressively developing LIFE through new categories for larger offerings and a broader range of issuers, informed by evidence and feedback, while preserving the existing streamlined framework for smaller financings.
- The proposed QIP exemption would mostly benefit larger issuers and would result in differential treatment of investors in the same financing. Therefore, we do not support it and urge CSA to prioritize the broader hold period review.

D) Material Change Reporting

- We support allowing issuers to satisfy the material change report requirement by filing a designated news release in the material change report category on SEDAR+, provided it contains all information required in Form 51-102F3.
- The designated news release should have the same legal status as a material change report, including treatment as a core document under the secondary market civil liability regime, so investors do not lose the associated protection.

E) Developments in the United States

- We support expanding semi-annual reporting provided it is limited to venture issuers on a voluntary basis and informed by the results of the current pilot.
- Issuers using semi-annual reporting should provide proportionate quarterly highlights, including cash balance, burn rate, key expenses, shares outstanding (basic and fully diluted) and material changes.

F) General Feedback

- We recommend revisiting the distinction between asset and business acquisitions for mineral properties to reduce unnecessary financial statement requirements where they provide limited value to investors.
- We recommend eliminating the $50,000 annual per-investor limit under proposed MI 45-111 *Self-Certified Investor Prospectus Exemption*.

Please see Annex A for the detailed commentary on the various consultation parts.

We appreciate the steps CSA is taking to improve access to capital, particularly for smaller listed issuers, and welcome the opportunity to provide additional background on our comments and recommendations. Please contact me at jkilleen@pdac.ca for any follow-up engagement.

Sincerely,

Jeff Killeen

Senior Director, Policy & Programs

Prospectors & Developers Association of Canada (PDAC)

CC:

British Columbia Securities Commission

Alberta Securities Commission

Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission

Ontario Securities Commission

Autorité des marchés financiers

Financial and Consumer Services Commission of New Brunswick

Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Nova Scotia Securities Commission

Office of the Superintendent of Securities, Service NL

Northwest Territories Office of the Superintendent of Securities

Office of the Yukon Superintendent of Securities

Superintendent of Securities, Nunavut

ANNEX A: RESPONSES TO CONSULTATION QUESTIONS

A) Proportionate Regulation

PDAC supports retaining the exchange-based distinction between venture and non-venture issuers. It works well in practice, is clear, and facilitates comparison; the alternatives would add complexity without a compelling benefit.

An issuer's choice of listing venue reflects commercial considerations such as liquidity, analyst coverage, index eligibility, access to institutional investors and cost of capital. These benefits are weighed against the costs of the non-venture regime, which for pre-revenue issuers with small teams directly reduce funds available for exploration.

Adding size-based adjustments to the current exchange-based distinction (Option A) would effectively replace the current two-track system with four categories. Issuers and investors would have to determine which regime applies and track movements between categories, increasing complexity and reducing comparability.

Option B could move issuers between reporting categories as market conditions change, reducing predictability and comparability. We therefore do not support issuer-specific metric-based thresholds, and we also do not support further tailoring or sub-categories within the venture and non-venture issuer categories. If CSA proceeds, status should change infrequently: metrics could be assessed annually, with a change only after a threshold is crossed for three consecutive years.

Requiring larger issuers to graduate to a senior exchange (Option C) could impose additional costs before an issuer can absorb them. Under market cap thresholds, a strong commodity cycle could push an issuer over the line, and a downturn could bring it below again, even though nothing about its business has changed. An issuer forced to graduate may instead choose to list outside Canada.

While supporting the status quo, we recommend that CSA not remove an issuer's venture status solely because the issuer has a secondary listing outside Canada. Where an issuer's primary listing is in Canada, its venture or non-venture status should be based on that listing and maintained despite any secondary listing. Issuers commonly seek secondary listings to reach new investors, not because their size or complexity has changed.

B) Alternative Financial Reporting Requirements

CSA should reconsider the current financial statement reporting requirements. The outcome we would like to see is relief from IFRS requirements that impose disproportionate costs on venture issuers relative to the value of the resulting information to investors.

We strongly recommend against relief only for a subset of venture issuers, which, as noted in Part A of our response, would add complexity and reduce comparability between issuers and across periods, especially if issuers move in and out of the subset.

CSA should first distinguish requirements appropriate for venture issuers from those necessary only for non-venture issuers. Requirements whose cost exceeds their value to investors could be removed for all issuers.

Members identified judgment-intensive valuation and accounting exercises as particularly costly relative to their value, including fair value measurements, exploration asset valuations, Black-Scholes valuations of options and warrants, and bifurcation of flow-through share premiums. These exercises often require specialists, recur each reporting period, and can delay and increase the cost of audits. Investors in exploration companies generally focus instead on liquidity, exploration spending and project advancement.

Investors in junior exploration issuers commonly focus on cash, working capital, burn rate, indebtedness, management compensation, and project-level exploration and development spending against milestones. This information shows financial runway and whether funds are being directed to exploration; complex valuation figures generally carry less weight.

CSA should consult auditors early in the process so that any relief works in practice and is not offset by auditing requirements or practices. In addition, issuers relying on relief could be required to identify in their financial statements which valuations were not performed, making the omissions transparent and providing auditors with a clear basis for accepting the simplified approach.

C) Hold Periods for Private Placements by Reporting Issuers

Reconsidering the Hold Period Regime for Reporting Issuers

PDAC believes the current hold period regime for reporting issuers should be eliminated. In our view, the historical rationales for the regime have weakened and its remaining benefits no longer justify retaining it.

Most members we consulted viewed the four-month hold period as outdated, particularly now that the Listed Issuer Financing Exemption (LIFE) allows qualifying issuers to issue freely tradeable securities. The hold period can reduce the pool of investors willing to participate in private placements, potentially requiring issuers to offer greater discounts to attract capital.

The hold period also creates inequality between investors in successive financings. Junior issuers occasionally need to raise capital again within four months, for example as market conditions change. If a private placement is followed by a LIFE offering, LIFE investors receive freely tradeable securities, often on favourable terms, while earlier investors remain subject to the hold. This can raise the issuer's cost of capital: earlier investors, often key supporters of future financings, are more likely to decline to participate or demand deeper discounts and more warrants. Issuers may delay or forgo a needed LIFE offering to protect those investors. Removing the hold period would put all investors on equal footing.

In our members' experience, the principal current benefit of the four-month hold period is orderly resale. Delaying the resale of newly issued securities can limit immediate selling pressure, particularly for junior exploration issuers with thin trading and financings large relative to their float, market capitalization and average daily volume.

Other rationales cited in the Consultation Paper carry less weight in our view. The speed at which information is now disseminated and reflected in trading weakens the case for a four-month period to allow the market to absorb information. Creating an incentive to use the prospectus system has limited relevance for junior issuers, which rely primarily on private placements and LIFE and whose securities trade on the basis of the continuous disclosure record. Concerns about information

advantages held by initial purchasers are now largely addressed by harmonized continuous disclosure requirements, secondary market civil liability and insider trading prohibitions, developments the Consultation Paper itself identifies as relevant to reconsidering the disclosure-related rationale for hold periods. Concerns about backdoor underwriting and investment intent should be addressed through targeted measures rather than a blanket hold period, as discussed below.

The main concern with removing the hold period is therefore downward pressure on the share price after closing. LIFE now gives CSA a way to assess that concern. We encourage CSA to compare price and trading effects after LIFE financings with those after private placements that carry a hold period, using the findings to inform targeted safeguards.

Targeted safeguards: Our members did stress the need to retain appropriate protections for micro-cap issuers with financings that include warrants, where thin trading leaves the share price most exposed to selling pressure after closing, and where the concerns about backdoor underwriting and investment intent cited in the Consultation Paper are most acute. Any such concern should be addressed through a targeted measure for those financings, rather than through a blanket hold period. Options raised by our members include retaining a hold period only for financings that include warrants, applying it only to issuers below a market capitalization or trading liquidity threshold, or replacing it with a graduated release of securities over a shorter period.

On balance, we do not believe these concerns justify retaining a blanket four-month hold period that can reduce the investor pool, increase the cost of capital and create inequities between investors. Where particular financings create heightened resale or market-pressure concerns, those risks should instead be addressed through targeted safeguards as explained above.

Continuous market access vs. LIFE Expansion

A continuous market access regime, such as the one BCSC proposed in 2004, goes well beyond eliminating the hold period. In effect, it would remove the need for a prospectus after an issuer's initial offering and would rely on the issuer's continuous disclosure record. Because this would be a much broader change and the proposal is not sufficiently developed, PDAC is not taking a firm position at this stage. In any event, we ask that hold period reform not be delayed pending resolution of the broader continuous market access question.

Rather than moving to a fully continuous market access framework, we believe the more practical path is to build on LIFE. When continuous market access was proposed in 2004, there was no working model of a prospectus-exempt offering based on an issuer's continuous disclosure record. LIFE now provides one, and it has demonstrated that freely tradeable securities can be issued on that basis.

The LIFE experience provides a foundation for progressively expanding the framework to larger offerings and a broader range of issuers, with each step informed by evidence and feedback from the preceding step. Because much of LIFE's value lies in its short offering document, larger offerings could be accommodated through a complementary category based on the same premise, while preserving LIFE in its current streamlined form.

Qualified Institutional Purchaser (QIP) Exemption

A QIP exemption may support capital raising mostly by larger issuers. However, smaller venture issuers, such as junior exploration companies, represent a significant part of the capital raising

landscape in Canada, and they raise capital mainly from retail, accredited and specialist investors rather than large institutions. For them, the exemption would provide little benefit, and it would create an unlevel playing field by giving institutional investors freely tradeable securities while other investors in the same financing remain subject to a hold. Members felt the exemption needs further analysis, particularly of its effect on smaller issuers and on fairness between investors. For these reasons, PDAC does not support the QIP exemption in its proposed form.

We ask CSA to give priority to the broader review of the hold period regime discussed earlier, which would benefit all issuers and investors, rather than create a new exemption for a narrow group.

D) Material Change Reporting

In most cases, a material change report adds little useful or timely information to the news release it attaches. Its signalling value is also weakened when issuers file reports out of caution where materiality is uncertain.

PDAC supports allowing issuers to satisfy the material change report requirement by filing a designated news release in the material change report category on SEDAR+, provided it contains all information required by Form 51-102F3. The designated news release should clearly identify the material change, for example in a dedicated section, separate from any other content in the release. In addition, it should be capable of incorporation by reference into a prospectus in the same way as a material change report. Finally, it should retain the legal status of a material change report, including treatment as a core document under the secondary market civil liability regime, so investors do not lose the associated protection.

Although the savings per filing may be modest, a designated news release would reduce duplication, particularly benefiting smaller issuers, and place complete disclosure on SEDAR+ immediately rather than up to 10 days later. Investors and regulators would be able to identify material changes as readily as they do today.

PDAC supports retaining a principles-based definition of material change, potentially accompanied by updated guidance in National Policy 51-201 with sector-specific illustrative examples. For exploration issuers, materiality is highly contextual and therefore we do not support a prescriptive list, which could encourage over-filing and weaken signalling value.

E) Developments in the United States

Subject to the pilot results, PDAC supports extending voluntary semi-annual reporting to all venture issuers. CSA should assess effects on investors, market transparency and compliance costs before expansion.

Voluntary semi-annual reporting would help Canada remain competitive with markets such as Australia, where ASX-listed issuers report semi-annually and mining exploration entities provide lighter quarterly activity and cash flow reports, and the United States, where the SEC proposed semi-annual interim reporting in May 2026.

PDAC does not recommend extending the framework to non-venture issuers at this stage because investors continue to value full quarterly reporting on the operating and financial performance of non-venture issuers.

For venture issuers, the principal benefits would be lower compliance costs, more management time and greater competitiveness. The main risk is reduced visibility into cash and spending between reports, which proportionate supplementary quarterly disclosure could address.

Issuers choosing semi-annual reporting should provide proportionate financial highlights for each non-reporting quarter, including cash balance, key expenses, burn rate, shares outstanding on a basic and fully diluted basis, and material changes. This would preserve regular investor visibility without undermining the intended savings. The supplementary disclosure becomes more important if hold periods are reduced or eliminated, because investors in freely tradeable securities rely more heavily on the continuous disclosure record.

Finally, if an issuer's latest financial period ended more than three months before a financing is launched, its prospectus or similar offering document should include recent liquidity information, such as cash and working capital at the latest month-end.

F) General Feedback

Beyond Parts A to E, PDAC proposes two additional changes to improve capital raising or reduce regulatory burden.

i. Change the test under Section 5.11 of the Companion Policy to National Instrument 41-101 General Prospectus Requirements (Determination of what constitutes a business - mining assets)

We recognize that CSA has made a distinction between acquiring a "business" and an "asset" in a mineral property transaction, but we believe the three-part test to distinguish an asset transaction is still too restrictive.

Our view is that the requirement for financial statements in Items 32 and 35 of Form 41-101F1 places an unnecessary burden on the parties to the transaction without providing useful information to investors.

In general, unless mining operations are under way, the transfer of mineral property rights should generally be treated as an asset acquisition, rather than a business acquisition, until the property has advanced to the stage of a "Development Property" as defined in the CIMVal Code for the Valuation of Mineral Properties. At that stage, mineral reserves have been defined and production has been demonstrated to be economically feasible. Before that point, the property generates no material revenue and incurs only costs.

Before the Development Property stage, a summary of exploration and evaluation expenditures by type of work would generally be more useful to investors than historical financial statements. Financial statements should be required once that stage is reached.

ii. Eliminate the investment limit under the Self-Certified Investor Prospectus Exemption (MI 45-111)

Eliminating the investment limit under proposed MI 45-111 would improve capital raising for venture issuers. This exemption allows financially knowledgeable individuals who do not meet accredited investor thresholds to participate in prospectus-exempt offerings, which is particularly relevant to junior exploration companies.

PDAC supported proposed MI 45-111 but believes the proposed $50,000 annual limit undermines the exemption's potential to materially improve capital formation for venture issuers. The qualifying criteria are framed as a rational extension of the accredited investor exemption, yet CSA has identified no empirical basis for the cap.

For these reasons, CSA should eliminate the limit entirely. If CSA is not prepared to do so, it should at a minimum calibrate the limit to net worth or financial assets, replace it with a per-transaction limit, or permit reinvestment of prior gains, as we recommended in our January 2026 submission.