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August 27, 2010

Headnote

National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 43-101 *Standards of Disclosure for Mineral Projects*- s. 9.1 - An issuer wants to disclose a preliminary assessment that includes inferred resources but is not done “at an early stage of the project”, as required by NI 43-101 - The issuer will include, in its disclosure of the preliminary assessment, appropriate and proximate cautionary language; the issuer will file a technical report supporting the preliminary assessment and disclosing all material information about the mineral project in compliance with, and within the time required under, NI 43-101

Applicable British Columbia Provisions

National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, ss. 1.1 and 9.1

In the Matter of
the Securities Legislation of
British Columbia and Ontario
(the Jurisdictions)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
La Mancha Resources Inc.
(the Filer)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer under the securities legislation of the Jurisdictions (the Legislation) for a decision by the Decision Makers pursuant to the securities legislation of the provinces of the Jurisdictions granting relief under section 9.1 of NI 43-101, in relation to an economic analysis, that includes inferred resources, of the potential viability of the New Project (as

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defined below) from the requirement in the definition of “preliminary assessment” in NI 43-101 that the economic analysis of the potential viability of mineral resources be “taken at an early stage of the project” (the Relief Requested).

Under National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* (for a dual application):

- (a) the British Columbia Securities Commission is the principal regulator for this application;
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 – *Passport System* (MI 11-102) is intended to be relied upon in Alberta; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning as is used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
1. the Filer is a company incorporated under the *Business Corporations Act* (British Columbia) and has its registered office in Vancouver, British Columbia;
 2. the Filer is engaged principally in the business of mining, exploration and production of gold;
 3. the Filer is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and its securities trade on the Toronto Stock Exchange;
 4. the Filer acquired its 40% equity interest in Ariab Mining Company (AMC) in October 2006; the mining operations of AMC are located in the Red Sea State of northeast Sudan (the Ariab Gold Property); the Sudanese government and a private French company hold a 56% and 4% equity interest in AMC, respectively;
 5. in the early 1980’s exploration was conducted in the Red Sea Hills area of Sudan and volcanogenic massive sulphides (VMS) and gold deposits were discovered in the area; in 1990 a feasibility study examined 10 known gold

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deposits in the district within a circular area measuring 25 km in diameter; due to low metal prices at that time and into the 1990's, the 1990 feasibility study provided for a development plan which focussed on the oxide gold only (the Current Gold Project);

6. mine production began in 1991 and has yielded over 2.2 million ounces of gold to date using open-pit mining techniques and heap leaching, carbon adsorption processing;
7. a total of twelve deposits have been mined by AMC; nine of these deposits are now exhausted; only three deposits remain in production; at present, gold from the oxidized part of the massive sulphides is nearly depleted, and the existing pits are floored by massive sulphides; the remaining mine life (oxides) is expected to be three years;
8. as the majority of the oxide gold deposits have been mined, the VMS in the base of the pits have been exposed (the VMS Deposit);
9. two technical reports were produced in 2009 to estimate the resources of two pits in the VMS Deposit; the data generated by these two technical reports led the Filer and AMC to launch a study on processing these VMS and to extend the exploration and the resource definition on other known VMS targets; supergene enrichment zones were identified that had not been previously recognized;
10. in addition, a scoping study (the Scoping Study) has been commissioned with respect to processing the gold content in the tailings resulting from the earlier mining of the oxide deposits and the tailings resulting from the remaining mining of these deposits (the Gold Tailings Deposit);
11. the VMS Deposit and the Gold Tailings Deposit are collectively referred to as (the New Project);
12. the exploitation of the VMS Deposit will start by extending the open pits to a lower level which will require the implementation of underground mining techniques; ore will be directed to a copper concentrator, using grinding and flotation methods to produce a copper-zinc-gold concentrate to be refined elsewhere; flotation tailings will be processed in a Carbon-In-Leach (CIL) plant to produce gold bars (the New Extraction Process); this New Extraction Process will be also used to extract gold from the tailings comprising the Gold Tailings Deposit;

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13. to run this new plant for the New Project, AMC will need to construct a water pipeline from the Nile to fulfill the water requirements of the New Extraction Process and a power line to service the New Extraction Process;
14. recent drilling and exploration work in the VMS Deposit has resulted in scientific and technical information with respect to inferred resources in the deposit; the gold content in the Gold Tailings Deposit has been categorized mostly as indicated and measured resources; all this is material information to the Filer as the revenue generated from the New Project has the potential to double the present revenues of the Filer's operations;
15. AMEC plc, the Filer's independent technical consultant, is in the process of preparing a preliminary assessment that includes an analysis of the potential economic viability of developing the VMS Deposit using inferred resources (the Preliminary Assessment); as an addendum to and part of this Preliminary Assessment, the Scoping Study is being prepared by Sedgman Metals Engineering Services Limited; it will examine the potential economic viability of the New Extraction Process in relation to the tailings from the Gold Tailings Deposit using indicated and measured resources;
16. the Filer proposes to file a technical report under NI 43-101 with respect to both the Preliminary Assessment and the Scoping Study (the Technical Report);
17. financing will be required to carry out the development of the New Project and it is essential to obtaining such financing that the Preliminary Assessment including the Scoping Study be carried out and disclosed;
18. on April 23, 2010, the Canadian Securities Administrators published a request for comments on the proposed repeal and replacement of NI 43-101, which among other things, included a proposed change to the definition of "preliminary assessment", as currently found in NI 43-101, to remove the requirement that an economic analysis of the potential viability of mineral resources be "taken at an early stage of the project";
19. the New Project constitutes a significant change in AMC's operations for the reasons stated in representations 12 and 13 and for the following reasons:
 - (i) the main metal produced from the New Project will change from gold to copper (56% of AMC revenues will then come from copper, 43% from gold, 1% from zinc); and

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- (ii) AMC will be required to re-examine its current methods of shipping, marketing and reposition its operations to include the sale of copper concentrate rather than gold bullion;
- 20. the Filer has determined that although the inferred resources in the New Project are of a speculative nature, the resources as they are presently categorized should be the subject of an early stage economic analysis;
- 21. the development of the New Project is material information and should be publicly disclosed;
- 22. disclosure of the Preliminary Assessment is essential to obtaining financing for the development of the New Project;
- 23. the Filer is not in default of securities legislation in any jurisdiction except for technical defaults under NI 43-101 in relation to the preparation and filing of two technical reports in October 2009 and December 2009, respectively, on sulphide mineral resources in two deposits comprising part of the Ariab Gold Property consisting of a failure (i) to disclose material information with respect to all mineral resources and mineral reserves in the Ariab Gold Property and (ii) to file fully compliant qualified person consents; the Filer will correct these defaults through the filing of the Technical Report; and
- 24. the Filer accepts that any preliminary assessment or economic analysis based on inferred resources would include the disclosure required by sections 2.3(3) and 3.4(e) of NI 43-101;

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Relief Requested is granted provided that:

- (a) the Technical Report will (i) provide a summary of the scientific and technical information concerning the mineral exploration, development and production activities on the Ariab Gold Property, including the Current Gold Project and the New Project, that is material to the Filer and, subject to the Relief Requested, consistent with the requirements of NI 43-101 and the instructions to Form 43-101F1 relating to technical reports, and (ii) address the impact of the Preliminary Assessment (economic analysis) on the existing mineral reserves and economic studies on the Ariab Gold Property;

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- (b) the disclosure of the Preliminary Assessment will (i) comply with the provisions of sections 2.3(3)(b) and 3.4(e) of NI 43-101 and (ii) describe its impact on the results of the current feasibility study in respect of the Ariab Gold Property; and
- (c) the Technical Report will be filed not later than 45 days after the dissemination of the news release disclosing the Preliminary Assessment.

Noreen Bent
Acting Director, Corporate Finance
British Columbia Securities Commission