



## **Summary Report on the McBride Nickel-Copper-Cobalt Exploration Project in Limerick Township, near Bancroft, Ontario, Canada**

**A project of Hastings Highlands Resources (HHR) & Pancontinental Resources Corp (PUC)**

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This brief report was prepared at the request of concerned community members and the Limerick Area Conservation Coalition. The purpose of the report is to look at key financial, environmental and technical risks regarding a nickel-copper-cobalt exploration project being undertaken by Hastings Highlands Resources Ltd (HHR) and Pancontinental Resources Corporation (PUC) at its McBride Project in the Township of Limerick, near Bancroft, Ontario, in the headwaters of the Crowe Valley Watershed Conservation Area. A review of publicly available information reveals several serious technical, environmental, and financial risks for both the public and investors in this project:

1. The resource estimate is “historic,” and has not had a NI43-101 evaluation as regulated under the Canadian Securities Commissions; the project is not economically viable at this stage.
2. The externalized environmental and social liabilities are completely unknown and undocumented in the company’s reports to date, although this will certainly be a large, low-grade, waste producing, acid-generating mine if it is built (we currently estimate up to 5 million tons of potentially acid generating mine waste based on the company’s historical estimates).
3. The project is located in a very sensitive cottaging and tourism area, with a rich network of lakes, rivers and wetlands, that constitute both the economic base of the area and the backbone of a diverse ecosystem, home to fragile and endangered species.
4. Local opposition to the project is significant, including First Nation members’ opposition.
5. The ownership of the project mineral rights, as well as the contractual agreements with patent rights owners bring significant additional risks and need further investigation.
6. The two companies involved (HHR & PUC) have no history of developing or operating a mine. However, the current President and CEO of PUC is linked with mining projects in Asia that have a history of social and environmental problems, poor relations with some civic organizations and affected community members, as well as tax avoidance issues in Canada.

## 1. The Project

The claim area is south of Bancroft, just west of Hwy 62 and south of road 620 to Coe Hill, in the Beaver Creek watershed, which eventually flows into the Crowe River and then into Lake Ontario. It comprises 880 hectares.

This area was originally explored by Macassa Mines in the early 1960s, then Long Lac Mines, then Limerick Mines Ltd (LML), then Hastings Highlands Resources (HHR), controlled by Derek McBride. Pancontinental Resources (PUC) signed a three stage earn-in option agreement with HHR for the project in April 2018 to undertake the exploration and work necessary to produce a scoping study by year four, and a full feasibility study by year six (see below for more details on this option agreement).

There have been two technical reports on the project to date: one by Micon in 2004, and another by Robert Chataway in 2015, which did no actual exploration and relied on the historic drilling (a total of 106 holes) and other exploration activities undertaken by Macassa and Long Lac. Chataway makes it clear that he also relied on information given him by Derek McBride.

Exploration by these companies has indicated that there appears to be a U-shaped ultra-mafic deposit (created by volcanic activity) containing some amounts of low-grade nickel, copper and cobalt in sulphide minerals, although its depth and extent has not yet been established, nor its economic viability.<sup>1</sup> The resource defined by this work is considered a “historic” resource, and must be further explored through extensive, systemic drilling and costing studies, etc. before any assumptions about its economic worth can be made. But if the current historic resources grading less than 0.8% Ni, 0.05% Co and 0.3% Cu were to be mined,<sup>2</sup> they would generate over 5 million tons of mine wastes, most of it potentially acid generating due to the sulphide minerals.

Although the most recent two companies (PUC & HHR) call it an “advanced” exploration project, it is still pretty early stages—but it could move into advance stages if PUC fully implement the option agreement terms. Pancon has now contracted P&E Mining consultants to undertake the first phase of the option agreement to up-date resource estimates and making them NI43-101 compliant with the Canadian Securities Commissions.<sup>3</sup>

## 2. Environmental and Social Risks

The McBride project is in the headwaters of Beaver Creek and of the Crowe Valley Watershed Conservation Area. This is a sensitive area, home to numerous wetlands, lakes and rivers, and providing essential habitat to many species of fish, mammals, birds, reptiles, and amphibians, including several threatened and endangered species. It is also an area that provides drinking water, is substantially populated by full time residents and cottagers, and offers recreational and tourism opportunities to thousands of Ontarians each year. The project is facing significant concerns and opposition by local and regional community members, including First Nation members. In July 2018, PUC hired Jeanny So Consulting, a small firm, to handle company communications with the local communities and governments, and to attempt to get a social licence to operate.

This sulphide deposit would clearly be acid-generating if extracted, and an advanced exploration project and/or a mine— will produce significant amounts (millions of tons) of tailings and waste rock and dust which are very likely to pollute lands and waters in the local area and downstream over the long term. One option for PUC-HHR would be to truck the ore to another milling facility in Ontario. But this option would still leave important volumes of potentially acid generating waste rocks onsite. Traffic will increase on the country roads and the mine and mill will draw on the existing power supply. Any jobs the mine or mill may create are likely to be filled by experienced miners or specialized workers from other mining areas in Ontario or Canada, but not—or very little—by local residents and cottagers. Mining facilities cannot be taxed by municipalities in Ontario (or very little).

As with any metal mining operations, one of the main technical, financial and environmental challenge is to contain the mine waste in perpetuity, ensuring that pollution never leaks into surficial or underground waters, and that the project is not subject to a catastrophic spill or other major environmental accidents. Zero risk does not exist and there are over a dozen mining spills reported in Canada over the last decade, including the Mount Polley mine spill in BC in 2014.

Although the project will require some permits for exploration, water-taking, waste discharges, closure plans, and other potential activities of the company, Ontario remains the only province in Canada that does not require a comprehensive environmental impact assessment for mining projects. The federal government may require an Environmental Assessment for mines with an ore production capacity over 3000 tonnes per day<sup>4</sup>, and for mines that affect Indigenous peoples.

The Auditor General of Ontario (AGO) denounced the lack of mandatory environmental impact assessments in Ontario in its 2016 report: *"The Act is 40 years old— and is, in fact, the oldest environmental assessment legislation in Canada — it falls short of achieving its intended purpose [...] Ontario's environmental assessment process needs to be modernized and aligned with best practices in Canada and internationally."*<sup>5</sup> The AGO adds: *"These projects—such as mining operations...—proceed without an up-front evaluation of the environmental impacts of the project. Such impacts can be extensive and can affect Ontarians for many years. For example, as of March 31, 2015, the government identified that it had a liability of \$1.2 billion to clean up 47 contaminated sites that were caused by mining in Ontario over the years."*<sup>6</sup>

With an official government estimate of \$3.1 billion in liability for both active and abandoned mines, a 300% increase over 10 years,<sup>7</sup> MiningWatch reports that Ontario ranks first in Canada as having the biggest environmental liability in the mining sector.<sup>8</sup> Meanwhile, both MiningWatch and the Auditor General note that Ontario generated less than 1.3 billion in mine royalties over the same period, and is offering one of the lowest—if not the lowest—effective tax rate in Canada (less than 6%).<sup>9</sup>

In a 2017 follow-up report,<sup>10</sup> the AGO notes that Ontario still did not fully implement about 2/3 (66%) of its 2015 & 2016 recommendations, including:

- mining projects in Ontario still not undergoing a provincial environmental assessment similar to the environmental assessments conducted in other Canadian provinces;
- inspect all high-risk abandoned mines that have not been inspected in the previous five years to determine whether these sites pose risks to public safety;
- develop an operational and financial short- and long-term plan to clean up mine sites posing a threat to human health and safety or the environment (similar recommendation in 2005 report).
- require mining companies to regularly update their estimated mine close-out costs and the related financial assurance to reflect changing market conditions and changes to rehabilitation standards (similar recommendation in 2005 report);
- reassess its practice of allowing certain companies to self-assure mine close-out costs (similar recommendation in AGO 2005 report);
- inspect sites that have a closure plan in place on a regular basis to ensure the plan accurately reflects current mining activities on the sites;

- develop a strategy to make private owners aware of the requirement to rehabilitate abandoned mines on their land;
- review and update, where necessary, the Province's mining fees, taxes and royalty payments to ensure that Ontarians receive a fair share of the province's mineral resources.

It is crucially important that affected communities and Indigenous governments ensure that the onus of proving the project will have limited impacts on them falls on the company at the earliest possible point in the mining sequence. It is best to say "no" until (and if) the company can prove itself to the affected peoples. Yet, at the end of the day, affected communities will need to take a position as whether, or not, to support a mining project based on fundamental trade-offs between potential benefits and inevitable impacts, and by asking: "Are the potential benefits worth the risks and impacts? And are there alternative conservation, or socio-economic projects that we should be supporting instead in this area?".

### 3. Mining Regulations & Community Rights

Although Ontario operates under a 'free entry' mining system, which typically gives little legal discretion to the Ministry of Northern Development and Mines (MNDM) to stop mining projects at the exploration stage without facing costly litigations by the affected mining companies (which may be inevitable in certain situations), there are some specific provisions of the Ontario Mining Act and associated regulations that MNDM could invoke to deny, suspend or revoke permits, or require much stricter conditions. Below is a summary of MNDM's powers, as well as of mining proponents' general obligations at the exploration stage.

#### Subsurface mineral rights and claims

- When recording new mining claims (now with an online system), which provides subsurface mineral rights to its holder, mining proponents must give written notice to surface owners within 60 days of having registered the new claims, otherwise the claim is invalid, unless MNDM waives this obligation due to impossibility to reach the surface owner (Mining Act, s.46). McBride's project is constituted of a mixed of unpatented mining claims for which this obligation applies, and of patented (historic) mining rights belonging to a third party (e.g. surface owner) with whom HHR need to reach a contractual agreement to access.

## Exploration Plan

- At least 30 days before conducting any exploration work on the ground, mining proponents must submit an Exploration Plan to MNDM and give notice to surface owners of their intention to submit an Exploration Plan to MNDM.<sup>11</sup> MNDM must give notice to affected First Nations by sending copy of Exploration Plan. MNDM may require the proponent to consult with affected First Nations if they raised concerns about the Exploration Plan, or require an Exploration Permit with stricter conditions if First Nations and/or surface owners had concerns, or following MNDM's own discretion and evaluation.
- PUC-HHR currently operate under an Exploration Plan obtained in May 2017 and which is valid until May 2019. HHR (McBride) had to give notice to any affected surface rights owners of its intention to submit an Exploration Plan to MNDM in April 2017 or before. MNDM had to give notice to First Nations in April 2017 or before by sending copy of Exploration Plan. We do not know if this was done and if both First Nations and surface owners had sufficient time and information to make relevant comments to both HHR and MNDM.
- HHR (McBride)'s Exploration Plan is registered on MNDM's online table,<sup>12</sup> which states HHR is intending to conduct the following work: Line cutting (LQ), Mechanized Stripping (SD), Pitting and Trenching (PC), Geophysical Surveys (GL). Under Reg. 308/12, Schedule 2, these works should respect the following conditions: line cutting that is a width of 1.5 metres or less; geophysical surveys on the ground; mechanized stripping a total surface area of less than 100 square metres within a 200-metre radius; excavation that removes less than 1 cubic metre of rock and up to 3 cubic metres of material within a 200-metre radius; use of a drill that weighs less than 150 kilograms.<sup>13</sup>
- PUC-HHR could ask at any time to modify its Exploration Plan or to require an Exploration Permit for all, or part of the above mentioned works. MNDM can order to cease exploration activities if not respecting the conditions under an Exploration Plan (s.78.5 of the Act).

## Exploration Permit

- For exploration works that surpass a certain thresholds, or if required by MNDM at any time, mining proponents must obtain an Exploration Permit, which allows MNDM to require stricter conditions, or to deny, suspend or revoke the permits if conditions are not met, or in case of non-compliance. Thresholds that trigger a required Exploration Permit include: Mechanized drilling, Mechanized surface stripping of over 100 square meters within a 200-metre radius; Line cutting, where the width of the lines cut is 1.5 metres or more; Pitting and trenching that removes more than 3 cubic metres of material within a 200-metre radius.<sup>14</sup>

- MNDM can deny granting a permit, or impose any conditions, considering: (i) the purpose of the Act, (ii) Aboriginal consultation issues, (iii) arrangements with surface rights owners. MNDM can also amend a permit at anytime considering the same issues, or require at anytime a permit for any exploration activities under an Exploration Plan 'to address issues pertaining to (i) existing or asserted Aboriginal or treaty rights, or (ii) potential adverse impacts on surface rights interests, public health and safety and the environment (s.78.3). MNDM can suspend or revoke a permit if conditions are not respected (s.78.5). MNDM may also determine that surface owners or land occupants (not necessarily owners) are entitled to compensation for damages resulting from any prospecting, exploration and mining activities (s.79).

#### **Advanced exploration & closure plan**

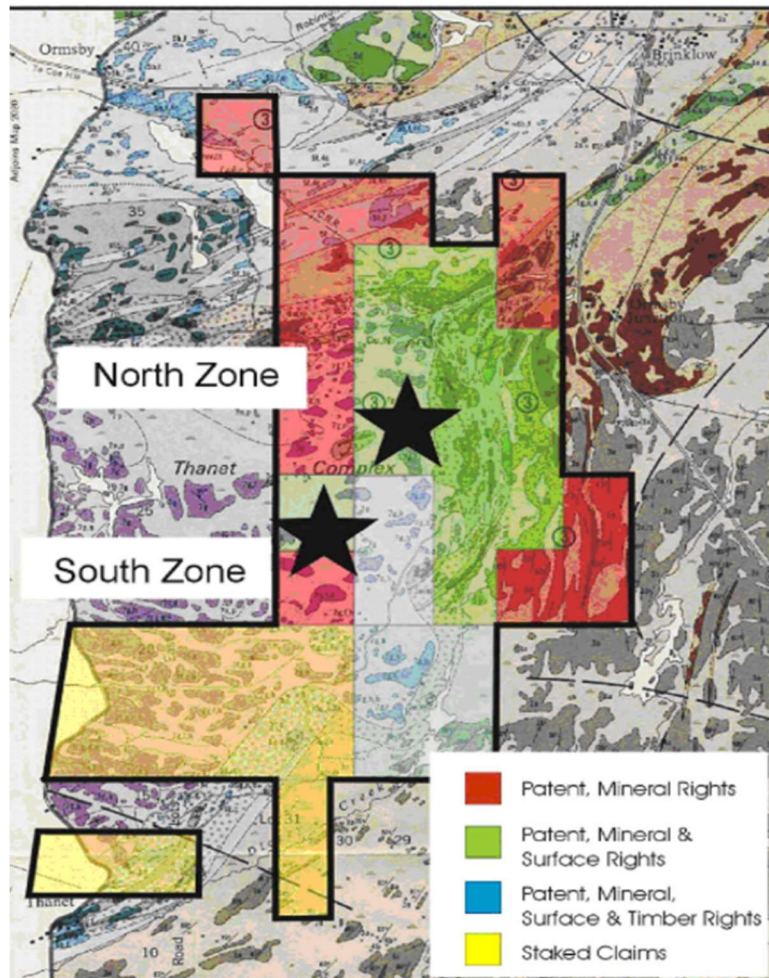
- The above conditions do not apply for an Exploration Plan or an Exploration Permit if conducted on 'patented' mineral rights, which constitutes a portion (not all) of the McBride's project area. Nevertheless, no matter what type of mining tenure is held, a mining proponent must meet additional requirements before engaging in advanced exploration, including filing a certified closure plan and financial assurance with the MNDM, give a notice to the public, and engage in consultation with affected First Nations before submitting a closure plan. Advanced exploration works include:<sup>15</sup>
  - Exploration carried out underground or involving the reopening of underground mine workings;
  - Exploration that may alter, destroy, remove or impair any existing rehabilitated mining sites;
  - Excavation of material in excess of 1,000 tonnes and surface stripping greater than 10,000 square metres or cubic metres within 500 metres, or of 2,500 square metres or cubic metres within 100 metres of a body of water.

At times, the MNDM, or another relevant ministry, under different legislations, such as the Ministry of Environment, with the support of the government, may take action to deny permit and face potential litigations, which may or not result in a costly settlement with the affected companies. Known mining settlements at the exploration stage in Canada have ranged from 5 to 60 million dollars, with an average of 5-10 million. A recent court decision (Eebatmatoong First Nation) did quash an early exploration permit because of inadequate consultation with a First Nation in Ontario.<sup>16</sup> Future developments of this case are pending.



#### 4. Ownership of the claims and mineral rights

Since 2001-2, Derek McBride, a geologist, has been assembling the claim package for the McBride property, through option agreements with local land-owners who hold mineral rights and through staking his own claims. On the McBride property mining lands, unlike most of Ontario, the mineral rights have not been severed from the surface rights. Most of the property is either “fee simple pioneer land grants”- which includes mineral, timber and surface rights, or “patented mining claims” – which include surface and mineral rights. The exceptions are claims SO 1192524 and SO 4209 871 which are mining claims only. It is not clear whether it is Hastings Highlands Resources Ltd or McBride himself who owns the interest in the mining claims.



According to the most recent reviewer of the property (Geologist Robert Chataway in 2015): *“The property consists of **five option agreements on 41 fifty acre half lots** in the surveyed Limerick Township; this equates to approximately 880 hectares (Figure1). Land titles are Fee Simple Grants, Patented Mining Claims with surface and mineral rights or mineral rights only, plus staked claims. HHR has put the land*



package together through a number of agreements with the land owners of the patented lands and in the case of crown lands these have been staked by HHR personnel. The parties to the agreements are detailed in Table 1 (below)".<sup>17</sup> The map below indicates the property and the ownership of claims within it (from the Limerick Mines MIC 2004, page 16).

The table below sets out ownership of the HHR holdings (from Chataway)

**Table 1**  
**Hastings Highlands Resources Limited Land Holdings, Limerick Township, Ontario**

Owners	Claim No.	Surveyed Lot Description	
D. & J. McBride	SO 1192524	East Hastings Road	Lot 12
		East Hastings Road	Lot 13
D. and J. McBride, J. A. Ryder	SO 4209871	East Hastings Road	Lots 16,17, 18, 19, 20
		Concession 4	Lots 30and 31
Mindle Gp, D McBride		Concession 4	Lot 28
		Concession 4	Lot 29
Wilkinsons, J. A. Ryder And D. McBride	EO 28855	Concession 5	Lot 27 N1/2
	EO 28859	Concession 5	Lot 28 N1/2
	EO 29138	Concession 5	Lot 28 S1/2
	EO 28853	Concession 6	Lot 27 N1/2
	EO 28854	Concession 6	Lot 27 S1/2
	EO 28857	Concession 6	Lot 28 N1/2
	EO 28858	Concession 6	Lot 28 S1/2
	EO 28862	Concession 6	Lot 29 N1/2
	EO 28856	Concession 7	Lot 28 S1/2
	EO 28861	Concession 7	Lot 29 S1/2
Steenburgs, and McBride		Concession 5	Lot 29
	EO 29139	Concession 5	Lot 30 N1/2
W. Senyk and D. McBride	EO 29136	Concession 5	Lot 26 S1/2
	EO 28868	Concession 5	Lot 26 N1/2
	EO 29137	Concession 5	Lot 27 S1/2
	EO 29140	Concession 5	Lot 30 S1/2
	EO 28863	Concession 6	Lot 29 S1/2
	EO 28866	Concession 6	Lot 30 N1/2
	EO 28867	Concession 6	Lot 30 S1/2
	EO 28851	Concession 7	Lot 27 N1/2
	EO 28852	Concession 7	Lot 27 S1/2
	EO 28860	Concession 7	Lot 29 N1/2
	EO 28864	Concession 7	Lot 30 N1/2
	EO 28865	Concession 7	Lot 30 S1/2
	EO 29141	Concession 8	Lot 31 N1/2
	EO 29142	Concession 8	Lot 31 S1/2

Under the terms of the agreements, the property owners were to receive shares in Limerick Mines Limited when it became a publicly traded company and some advance payments on royalties, in return for McBride undertaking a “an evaluation of the mineral potential of the properties and an agreement to provide financing for their exploration and exploitation”<sup>18</sup>.

Limerick Mines Limited (LML) became a private company and ceased to report on the Securities Exchanges website SEDAR in April 2006, and no information is available about what subsequently happened to these agreements. By this time, McBride was no longer a director of LML and was involved in a lawsuit with LML. Although McBride’s interest in the claims appear to have been briefly held by Limerick Mines Ltd, a Superior Court lawsuit decided on April 25, 2005<sup>19</sup> to return the claims to “their original owners” (McBride and others). We could not find the actual decision in the Superior Court of Ontario files.<sup>20</sup>

According to the Limerick Mines Ltd Management Information Circular of 2004 (and the Micon Report), the agreements with patent and surface owners included:

- Ten half-lot claim units owned by Ferne and Jessica Wilkinson and Lawrence Hobbs. An option agreement dated March 2002 with Derek McBride and Lawrence Hobbs provided that they would share the benefits of any future operations. The Limerick Mines Limited Financial Statements for 2005 stated that, subsequent to the statements, and the Superior court decision, Limerick signed an agreement with these property owners transferring the mineral rights to Limerick in exchange for \$250,000 and a NSR of 2% if the property were brought into production. There is no publicly available evidence that these properties were transferred to HHR or Derek McBride, as McBride was no longer a director of LML by this time.
- Walter Senyk and McBride agreed to a 50-50 partnership on the mineral rights to Senyk’s 10 patented mining claims
- An agreement with Wilford Hindle, Richard Allen, Dale W. Byer, Reginald Dunford, Wayne Freeburn, Briad(?), D. Freeburn and Michael F. Keller which gave McBride a 30% interest in four claim units
- An agreement with the Bradley Steenburg, Brian Steenburg, Alexander Steenburg and Travis Arnes (February 2004) “which added two pioneer land grants and one patented mining claim”.

We do not know what the content of these agreements are, if they are still valid today, and what relevant information the owners had when they first signed them.

## 5. The Companies: Hastings Highlands & Pan Continental

Hastings Highlands Resources appears to be a private company, owned and controlled by Derek McBride and other directors (it is not listed publicly on SEDAR). Pancontinental Resources Corporation is a public company listed on the Toronto Stock Exchange (Venture). Its trading symbol is PUC. Its head office and registration are in British Columbia. Address: 301-260 West Esplanade, North Vancouver, British Columbia, V7M 3G7.

Pancon (as it likes to call itself) started out as Maya Gold in 1997, became Centram Exploration, then Pancontinental Uranium, the Pan Continental Gold, and, on July 12, 2018, Pancontinental Resources Corporation. PUC currently has two 100% owned subsidiaries: Maya Gold Corporation (Honduras) and Palmetto Mining Corporation. It has only recently acquired exploration properties in Canada. It has three exploration properties adjacent to an older Glencore mining camp in Timmins and one in North Carolina.

Some directors of PUC have been involved with mines in Asia and in the Oyu Tolgoi Mine in Mongolia, as well as with some gold and uranium prospects in Australia. They do not appear to have experience in Canada, nor with nickel deposits. The companies involved in the Oyu Tolgoi Mine in Mongolia have a history of social and environmental problems, poor relations with some civic organizations and affected community members, as well as tax avoidance issues in Canada.<sup>21</sup>

Pancon is a junior mining company with no producing mines. As at June 30, 2018, the Company has: an **accumulated deficit of \$22,719,217** (December 31, 2017 - \$21,646,398); a working capital surplus of \$767,535 (December 31, 2017 - \$369,589 deficit); and, incurred losses for the current six month period of \$1,072,819 (June 30, 2017 - \$763,389).<sup>22</sup> It has 139,500,200 shares issued and outstanding.<sup>23</sup> As of September 5, 2018, they were trading at **eight cents** a share and worth less than 10 millions in market capitalization.

PUC is financed by the sale of its shares. Most of these shares have been sold through “private placements” and flow through shares, which enable investors to use exploration and development expenses to write down their own taxes.<sup>24</sup> Says PUC: “Further funds will be required for the Company to continue as a going concern and fund its activities. The Company has not produced revenues from its

exploration activities and does not have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.”<sup>25</sup>

The companies seek to extract nickel, copper, cobalt, and also think there might be platinum, palladium, etc. Limited drilling to date has shown the first three minerals, but there was not money to conduct assays for other metals at the time. Two reports: Micon (2004) and Robert Chataway (2015) have reviewed earlier exploration results. Pancon has now contracted P&E Mining consultants to undertake a NI43-101 resource estimate. <sup>26</sup> The ongoing HHR-PUC Option Agreement is to undertake the following:

1. an updated NI 43-101 compliant Technical Report;
2. a Scoping Study (Preliminary Economic Assessment) for mining; and
3. a Feasibility Study.

The terms of the option agreement are described as follows by PUC in their MD&A for June 2018:

*On April 25, 2018, the Company entered into an option agreement with Hastings Highlands Resources Limited (the “Optionor”), pursuant to which the Company obtained the right (the “Option”) to acquire a 76% interest in the McBride Project. The Option may be exercised in three stages as follows:*

***a) First Option - to earn an initial 26% interest, the Company shall:***

- *Pay \$142,500 to the Optionor [McBride only?] on or before April 25, 2018 (paid);*
- *Pay applicable annual property taxes;*
- *Issue 500,000 shares to the Optionor upon receipt of TSX Venture Exchange approval (issued);*
- *Incur expenditures of \$1.5 million during the first year of the Option.*

***b) Second Option – to earn an additional 25% interest, the Company shall during the second, third and fourth years of the Option:***

- *Pay \$142,500 to the Optionor [McBride only?] and property owners, annually and in aggregate;*
- *Pay applicable annual property taxes;*
- *Incur expenditures of \$3.0 million in aggregate for the purposes of producing a scoping study.*

***c) Third Option – to earn an additional 25% interest, the Company shall during the fifth and sixth years of the Option:***

- *Pay \$142,500 to the Optionor and property owners, annually and in aggregate;*
- *Pay applicable annual property taxes;*
- *Incur sufficient expenditures for the purposes of producing a feasibility study.*

In the event that the Company fails to exercise the Second Option then the initial 26% interest earned by the Company pursuant to the First Option shall revert to the Optionor. Upon the exercise of the Third Option the Company and Optionor shall form a joint venture and all costs and revenues shall be shared on a proportionate basis. The Company's interest in the McBride Project may be increased to 90% provided the Optionor elects not to participate or fund its interest in the joint venture.

The McBride Project is subject to a 1.75% net smelter return (NSR) royalty. The Company reserves the right to purchase, prior to production, 0.75% of the NSR royalty (such that the remaining NSR royalty is reduced to 1%) for \$1,000,000.

The management team for the McBride project is headed by Derek McBride, and includes PUC directors Layton Croft and Mark McMurdie as well as Kevin Filo who has worked with PUC in the past, which biography are included in appendix.

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## Appendix – Key directors:

**Mr. Thomas Layton Croft** (From Bloomberg executive biography) is Chief Executive Officer and President at Pancontinental Gold Corporation. He served as Executive Vice President of Corporate Affairs and Social Responsibility (Mongolia) at Oyu Tolgoi. Mr. Croft had responsibility for communications, social performance and stakeholder engagement for the Oyu Tolgoi project. He is a senior corporate executive with diversified management and extensive Mongolia focused resource industry expertise with more than 12 years in senior roles with several Mongolia and Asia focused companies, including SouthGobi Energy Resources, as Vice President of External Affairs and Corporate Citizenship (Hong Kong), where he oversaw investor and public relations, government affairs and corporate social responsibility; The Asia Foundation as Resident Representative (Mongolia); and Peabody Energy, as Vice President of External Relations - Asia (Singapore). Having lived and worked in Mongolia for a total of 15 years beginning in 1994, Mr. Croft has deep knowledge of the Mongolia corporate, political and socio-cultural environments. He played a central role in strengthening relational and reputational elements of the companies he has worked with in Mongolia and the Asia-Pacific region, including success in building and protecting the social and political licences to operate at national, regional and local levels. He worked internationally for more than 22 years in corporate and public- sector roles in Asia, Latin America and Eastern Europe. He has been Non Executive Independent Director of Erdene Resource Development Corporation since July 2, 2015. Mr. Croft holds a BA from the University of North Carolina at Chapel Hill, an MA from the School for International Training in Vermont and an MA from the Fletcher School of Law and Diplomacy at Tufts University in Massachusetts.

### **Derek McBride (from Linked in)**

Derek McBride has spent the last 40 years as a consultant to the international mineral industry. During that time he has discovered two mines for his clients. His work has taken him to 17 different countries and he has managed major exploration projects in seven of them. This experience has covered glaciated, desert and tropical terrains.

His early research work he was involved the lithogeochemistry of porphyry copper and the structure and stratigraphy of volcanogenic massive sulphide deposits. In recent years, his efforts have concentrated on gold and silver deposits. He has published numerous papers on mineral deposits and is a qualified person for NI 43-101.

He is coauthoring a book, in press, from Elsevier (2015) titled "The Metallogeny of Lode Gold Deposits: A Syngenetic Perspective" which is a detailed examination of gold deposits, their formation and deformation in the orogenic gold environment.

Recent clients include: Khan Resources Inc., ValGold Resources Ltd., Stroud Resources Ltd., Cline Mining Ltd., Union Glory Gold Ltd., and Les Resources Radisson Ltd. and Cream Minerals Ltd.



## Annotation

<sup>1</sup> See Micon (2004) and Chataway (2015), page 22.

<sup>2</sup> Pancontinental Resources states (<http://www.pancongold.com/projects/McBride-Ni-Co-Cu-Project/default.aspx>, consulted on Sept. 1<sup>st</sup> 2018):

*“North Zone: 3.9 million tons grading 0.82% nickel, 0.054% cobalt and 0.25% copper;*

*South Zone: 1.2 million tons, grading 0.30% nickel, 0.03% cobalt and 0.14% copper;*

*The foregoing Historical Resource estimates presented above were completed prior to the implementation of the NI 43-101 requirements; however, given the high quality of the historic work completed and the respective mining companies’ reputations and production history of the previous Project owners, Pancon believes the Historical Resource estimates to be both relevant and reliable.”*

<sup>3</sup> <http://www.peconsulting.ca/>

<sup>4</sup> <http://laws-lois.justice.gc.ca/eng/regulations/SOR-2012-147/page-3.html#h-1>

<sup>5</sup> AGO 2016 [http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1\\_306en16.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1_306en16.pdf)

<sup>6</sup> AGO 2016 [http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1\\_306en16.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1_306en16.pdf)

<sup>7</sup> AGO 2015 <http://www.auditor.on.ca/en/content/annualreports/arreports/en15/3.11en15.pdf> and AGO 2005 <http://www.auditor.on.ca/en/content/annualreports/arreports/en05/309en05.pdf>

<sup>8</sup> <https://miningwatch.ca/news/2015/12/9/wake-call-ontario-ranks-worst-canada-environmental-liability-mine-sites> and <https://miningwatch.ca/sites/default/files/table-1-environmental-liability-of-mine-sites-on-qc-bc.jpg>

<sup>9</sup> [http://www.auditor.on.ca/en/content/annualreports/arreports/en17/2017AR\\_v2\\_en\\_web.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en17/2017AR_v2_en_web.pdf)

<sup>10</sup> [http://www.auditor.on.ca/en/content/annualreports/arreports/en17/2017AR\\_v2\\_en\\_web.pdf](http://www.auditor.on.ca/en/content/annualreports/arreports/en17/2017AR_v2_en_web.pdf). The AGO did note, however, progress in the following areas:

- hired a Closure Plan Co-ordinator to review all mine closure plans and ensure appropriate technical reviews have been completed by the relevant technical specialists;
- improved its process to review a mine’s rehabilitation by its private owner before returning a portion of the financial assurance;
- verify when it inspects progressive rehabilitation prior to returning a portion of the financial assurance whether mine development is still in line with the existing closure plan...;
- annually publish the approved mine closure plans (for rehabilitation and restoration), including the estimated closure cost and associated financial assurance held by the Ministry;
- adopt a risk-based process to regularly monitor and inspect previously inspected abandoned mines to ensure that the conditions at the sites are not posing a risk to human health or the environment;
- develop a risk-based plan to inspect sites undergoing exploration work with the potential to have a negative impact on the environment.

<sup>11</sup> Reg. 308/12, s.6

<sup>12</sup> [https://www.mndm.gov.on.ca/sites/default/files/exploration\\_plans\\_and\\_permits\\_table\\_aug24\\_2018.xlsx](https://www.mndm.gov.on.ca/sites/default/files/exploration_plans_and_permits_table_aug24_2018.xlsx), see line 017 and Column F.

<sup>13</sup> [https://www.mndm.gov.on.ca/sites/default/files/exploration\\_plan\\_activities\\_e.pdf](https://www.mndm.gov.on.ca/sites/default/files/exploration_plan_activities_e.pdf)

<sup>14</sup> Schedule 3 <https://www.ontario.ca/laws/regulation/120308>

<sup>15</sup> Reg. 240/00, s.3: <https://www.ontario.ca/laws/regulation/000240>

<sup>16</sup> <https://www.tbnewswatch.com/local-news/eabametoong-wins-court-challenge-to-exploration-permit-987611>

<sup>17</sup> Chataway, page 4

<sup>18</sup> Limerick Mines Limited MIC 2004

<sup>19</sup> Limerick Mines Limited, Financial Statements for 2005, note 11.

<sup>20</sup> <http://www.ontariocourts.ca/scj/decisions/>

<sup>21</sup> See, for example, a 2016 report by Oyu Tolgoi [Mine] Watch, Bank Information Center, CEE Bankwatch Network and Accountability Counsel: [https://bankwatch.org/press\\_release/water-disputes-persist-as-rio-tinto-pushes-ahead-with-second-oyu-tolgoi-mine](https://bankwatch.org/press_release/water-disputes-persist-as-rio-tinto-pushes-ahead-with-second-oyu-tolgoi-mine), and a 2012 report by many of the same organizations: <https://www.accountabilitycounsel.org/wp-content/uploads/2017/08/A-Useless-Sham-OT-ESIA-Review.pdf>. See also Toronto Star, Jan. 31 2018: <https://www.thestar.com/news/world/2018/01/31/the-canadian-company-behind-this-mongolian-mine-has-avoided-half-a-billion-dollars-in-taxes-report-alleges.html>. See also, on some of PUC CEO history: <http://www.consciousbeingalliance.com/2010/12/post-2>

<sup>22</sup> PUC Financial Statements, June 2018, page 6

<sup>23</sup> Ibid, page 3.

<sup>24</sup> PUC Financial Report

<sup>25</sup> PUC Financial, page 6.

<sup>26</sup> <http://www.peconsulting.ca/>