

# *Where the rubber meets the IFRS road*

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# ***Welcome and introductions***

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# *Agenda*

1. What regulators are saying about key conversion issues
2. Expectations for the first set of IFRS financial statements
3. Current hot topics on conversions to IFRS

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# ***What regulators are saying on key conversion issues***

“Communication is critical – issuers should provide significant IFRS transition information during the period of conversion to minimize investor uncertainty.”

- OSC top 10 tips for public companies filing their first IFRS interim financial report

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# ***Top 10 tips for public companies filing their first IFRS interim financial report***

1. Changes to acceptable accounting principles
2. Auditor involvement with regulatory filings
3. Q1 filing extension for first time IFRS filers
4. Consequences of missing financial statement filing deadlines
5. IFRS financial statement presentation
6. Key financial statement notes in the first IFRS interim financial report
7. Required reconciliations under IFRS 1
8. Management's discussion and analysis (MD&A)
9. CEO/CFO certification
10. Prospectus and other offering issues

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## ***1. Changes to acceptable accounting principles***

“Companies will adopt IFRS on varied timelines through 2011 – avoid investor confusion by clearly identifying accounting principles used in all financial information released.”

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## ***2. Auditor involvement with regulatory filings***

“Issuers should ensure that the financial information released in the first three quarters of 2011 is accurate and will not require restatement after the annual audit.”

### ***3. Q1 filing extension for first time IFRS filers***

<b>Issuer (Dec 31 y/e)</b>	<b>Standard deadline</b>	<b>Extended deadline for Q1 2011</b>
Non venture issuer	45 days – May 15, 2011*	75 days – June 14, 2011
Venture issuer	60 days – May 30, 2011	90 days - June 29, 2011

\* Since May 15, 2011 is a Sunday – the actual filing deadline in Ontario will be Monday May 16, 2011



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## ***4. Consequence of missing financial statement filing deadlines***

**“Not filing IFRS financial statements by the deadline is a significant breach of securities law.”**

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## ***5. IFRS financial statement presentation***

- Opening IFRS statement of financial position
- Presentation currency and functional currency
- Presentation of cash flows
- Retroactive restatement of comparative periods

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## ***6. Key financial statement notes in the first interim financial report***

“Your first IFRS interim financial report should contain sufficient information to enable investors understand how the transition to IFRS affected previously reported results.”

## ***7. Required reconciliations under IFRS 1***

### **Reconciliations from CGAAP to IFRS for:**

#### **Equity:**

- January 1, 2010
- December 31, 2010
- March 31, 2011

#### **Total comprehensive income:**

- The year ended December 31, 2010,
- The three months ended March 31, 2011

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## ***8. Management discussion and analysis***

“Investors will need to be able to discern whether changes in reported results are caused by the adoption of different accounting policies or from changes in underlying business activities.”

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## ***9. CEO and CFO certification***

“The standard certification form has been revised to include IFRS terminology, so issuers should ensure they are filing the most recent form with their first IFRS filings. ”

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## ***10. Prospectus and other offering issues***

“We urge issuers to consider IFRS transition matters well in advance of filing a preliminary prospectus to avoid delays in filing and obtaining a receipt from securities regulators for offering documents.”

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***Dear CFO...***

Have you received your OSC letter requesting confirmation of meeting your Q1 filing requirement?



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# *Expectations for the first set of IFRS financial statements*



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## ***Basis of presentation***

Compliance with requirements of IFRS for the presentation of interim financial statements including IAS 34

...and in accordance with Canadian GAAP for publicly accountable enterprises

Significant events and transactions since the end of the last reporting period

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## ***Accounting policies***

Complete list of significant accounting policies in first interim financial statements

Disclosure of the risk that applicable standards might change

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## ***IFRS 1 reconciliations***

Reconciliations of equity at transition and comparative balance sheet; and comprehensive income for comparative period

Sufficient detail to understand material adjustments... including reclasses

...don't forget cash flows

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## ***Other considerations***

The use of sub totals (e.g. operating income) – relevance?

Fair value disclosures under IFRS 7 to be required under exposure draft in interim statements?

Q1 MD&A 8 quarter disclosures – 5 under IFRS and 3 under CGAAP... timing of review work?

# *Current hot topics on conversion to IFRS*



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## ***Flow-through shares***

No specific IFRS guidance

Two methods to account for flow-through shares discussed:

- US GAAP approach
- Initial recognition exemption

Substantial majority of members of Canadian IDG expressed view that applying the initial recognition exemption was not appropriate.

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## ***Deferred stripping costs***

IFRIC discussion paper – 50 comment letters received

Consistent views expressed across many letters

Next steps?



# *Capitalization of borrowing costs on transition to IFRS*

**Consider the following:** an entity has capitalized borrowing costs related to the construction of its PPE under Canadian GAAP. The borrowing costs would have been calculated differently under IAS 23R.



**On transition to IFRS, what should the company do?**

- a) **Retrospectively adjust** its PPE balance as though the borrowing costs had always been capitalized under IAS 23R, or
- b) **Not adjust** the balance and cease capitalizing the non-qualifying borrowing costs on a prospective basis only

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## ***Earn-outs and other contingent consideration***

Additional purchase consideration on a prior acquisition,  
not previously recognized under CGAAP... and

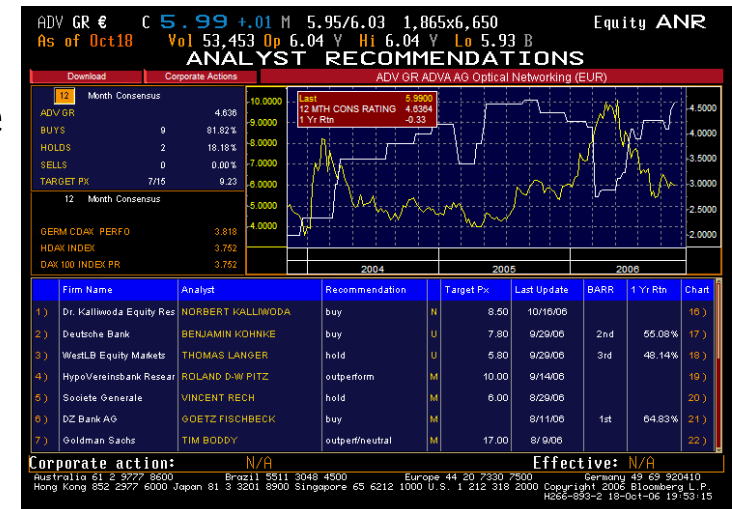
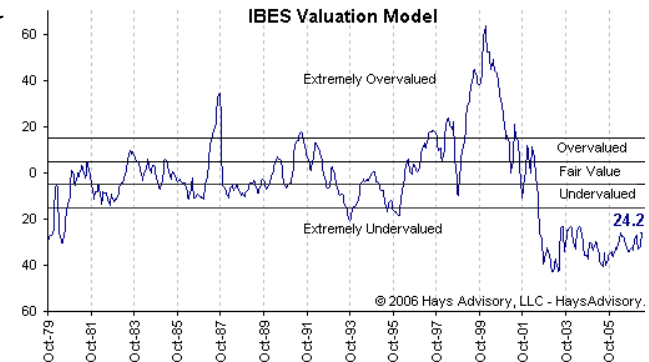
IFRS 1 exemption on business combinations taken...

Recognize on Opening Balance Sheet at fair value with debit  
to retained earnings

# Available for sale equity securities

Unquoted equity instruments – measurement at cost?

- Fair value *not* reliably measurable
  - Variability in range of values significant, or
  - Probabilities of estimates within range cannot be reasonably assessed



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## *Available for sale equity securities ...continued*

IFRS impairment of AFS equities if objective evidence:

- “Significant” decline in value below cost, regardless of duration, or
- “Prolonged” decline in value below cost

Subsequent decline after an impairment is automatically a further impairment.



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## ***IASB work plan***

Financial statement presentation (OCI) – IFRS in Q1 2011

Joint ventures (arrangements) – IFRS in Q1 2011

Leases – IFRS in Q2 2011

Extractive activities project – onto agenda in 2011?

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# ***We are here to help navigate the way...***

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## ***Table discussion questions***

1. How many adjustments have you identified in your financial statements at the current time?
2. In your 2010 YE MD&A, how much detail are you including and how are you describing the adjustments to the opening balance sheet?
3. What is the biggest risk remaining in relation to your Q1 2011 reporting?