

DAVIDSON TALKS

03.04.21

MINING UPDATE

A 60-MINUTE WEBINAR SERIES

& Davidson
Company
CHARTERED PROFESSIONAL ACCOUNTANTS

Housekeeping

- Submit questions via Zoom Q&A function
- Survey, link to PD Certificate, slides and video emailed by tomorrow



Agenda

- **Mining Update – Guy Thomas, CPA, CA
& Catherine Tai, CPA, CGA**
- **Q&A Session**
- **Door Prize Draw**





Mining Update

Guy Thomas, CPA, CA

Audit & Assurance Partner, Davidson & Company LLP

Mining Update

Topics for today:

- Increased activity in sector
- New IFRS
- Stages of operations / mine life cycle
- Acquisition considerations

Increased activity in sector

Commodity prices

- IPO's
- RTO's
- Financings



New IFRS's

None, but on the horizon...

- **Quiet**
- **New guidance on development stage revenues**
- **Use IAS 8 for unusual accounting situations**

Stages of Operations / Mine Life Cycle

Four stages of operations

- Exploration and evaluation
- Development
- Production
- Closure and rehabilitation

Mine Life Cycle

Exploration and Evaluation assets

- Capitalized costs
 - Need a right before capitalization of any costs
 - Option vs purchase agreements
 - Direct costs
 - Recoveries

Mine Life Cycle (cont'd)

Exploration and Evaluation Assets

Areas of focus for auditors you should know about:

- Impairment indicators
- Asset retirement obligations
- Acquisitions
- Foreign jurisdictions

Mine Life Cycle (cont'd)

Exploration and Evaluation Assets

Areas of focus:

- Impairment indicators
 - Option or license expiry
 - Expenditures not budgeted or planned
 - Not commercially viable and decision to discontinue
 - Unlikely recovery of carrying amount

Mine Life Cycle

Exploration and Evaluation assets

Areas of focus:

- Asset retirement obligations
 - Often overlooked
 - DCF model

Mine Life Cycle

Exploration and Evaluation assets

Areas of Focus:

- Acquisitions
 - Property ownership
 - Acquisition of a company holding a property
 - Business or asset

Mine Life Cycle (cont'd)

Exploration and Evaluation assets

Areas of focus:

- Foreign jurisdiction
 - Confirm title
 - Group audit requirements
 - COVID restrictions



Stages Operations /Mine Life Cycle

Catherine Tai, CPA, CGA

Audit & Assurance Partner, Davidson & Company LLP

Mine Life Cycle (cont'd)

Development stage

- Development activities
- Why is the cut-off between exploration and evaluation stage and development stage important?
- Important considerations, e.g. impairment test, functional currency, asset retirement obligations (“ARO”) and pre-production sales and costs
- ARO calculations

Mine Life Cycle (cont'd)

Production stage

- Commencement of commercial production
- Common accounting issues

Mine Life Cycle (cont'd)

Closure and rehabilitation stage

- Legal vs constructive obligations
- Closure costs from development activities vs closure costs from production activities



Acquisitions of Mineral Interests

Guy Thomas, CPA, CA

Audit & Assurance Partner, Davidson & Company LLP

Acquisitions



Acquisitions

- Mineral right
- Company that holds a mineral right (non-business)
- Company that holds a mineral right (business)

Acquisitions (cont'd)

Acquisitions

- Mineral right
 - Option or purchase
 - Usually not a business
 - Valuation based on consideration provided

Acquisitions (cont'd)

Acquisitions

- Company that holds a mineral right (non-business)
 - Usually no reserves but consider stage
 - Purchase value usually based on consideration provided
 - Purchase equation
 - Position paper
 - Percentage of ownership acquired
 - may require gross-up and NCI

Acquisitions (cont'd)

Acquisitions

- Company that holds a mineral right (business)
 - Usually reserves or advanced stage
 - Purchase value on two separate measures being the consideration provided as well as fair value of assets acquired
 - Purchase equation
 - Position paper, valuations
 - Percentage of ownership acquired
 - may require gross-up and NCI



Q&A Session

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