

ASC Corporate Finance Review

Breakfast Session

January 2012

Presenters

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- Monika Meyler, CA – Securities Analyst, Corporate Finance
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Agenda

- 1) Summary of 2011 Corporate Finance Disclosure Report
 - Overview of CD Program
 - IFRS Transition
 - Results and observations
 - Expectations for annual filings
 - CD Reviews
 - Offering Documents
- 2) Update from the Office of the Chief Accountant (OCA)

Overview of CD Program

- Corporate Finance Disclosure Report
 - ASC website (www.albertasecurities.com)
 - News & Publications → Publications
- CSA Staff publications
 - CSA Staff Notices
 - Amendments
 - Proposed Amendments

Overview of CD Program

- ASC CD Review Program
 - ASC regulates a diverse market comprised of 793 Canadian-listed, Alberta-based reporting issuers

- CD review types

- Full
- Issue-oriented (IOR)

Year ended Nov. 30,
2011

- 121 Full & 193 IORs
- 313 Total files reviewed

Year ended Nov. 30,
2010

- 159 Full & 104 IORs
- 263 Total files reviewed

- Generally satisfied with the results of reviews
- Some common disclosure weaknesses:
 - Unclear transition impact
 - Boilerplate accounting policy disclosure
 - Missing financial statements

- Financial statements
 - No missing financial statements
 - Statement of Changes in Equity – omission requires re-filing
 - All required financial statements are presented with equal prominence (i.e. not in the Notes)

- Transition Impact
 - Reconciliations
 - Complete
 - Appropriate starting point
 - Explanatory disclosure
 - Sufficient detail

- Accounting Policy Disclosure
 - Avoid boilerplate disclosure
 - Relevance - complete but not laundry-list
 - Entity-specific

IFRS Transition – Expectations

- Accounting Policy Disclosure
 - Absence of applicable IFRS → apply judgement in developing and applying an accounting policy (look to IAS 8 for guidance)

- Judgement and Estimation Uncertainty
 - Varying disclosure observed - generally weak
 - Judgements versus estimates

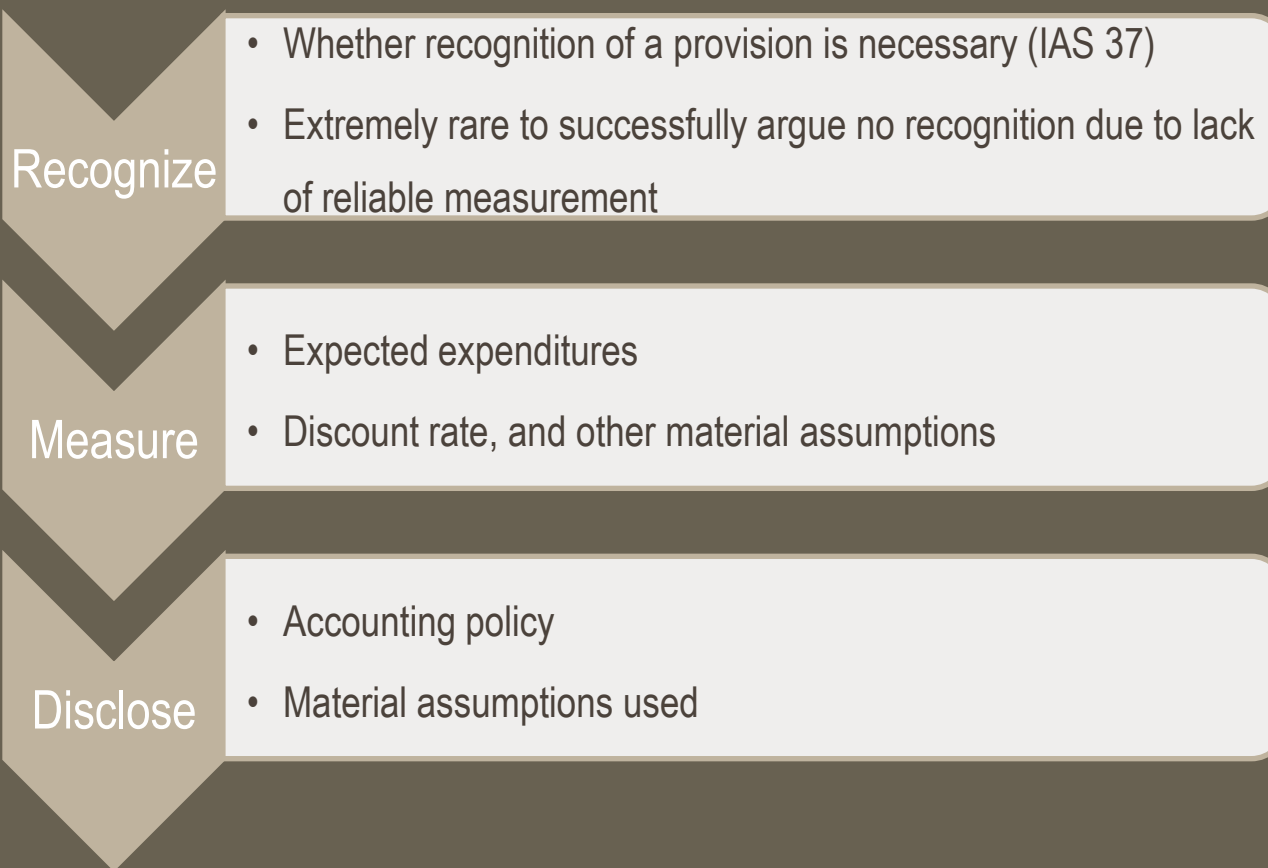
Statement of Financial Position – Classification

- current v. non-current – liabilities
 - Specific terms of the agreement

Asset acquisition vs. Business Combination

- Scope under IFRS
- Common expected differences
- Disclosure requirements – IFRS 2 and IAS 34

Decommissioning Liabilities



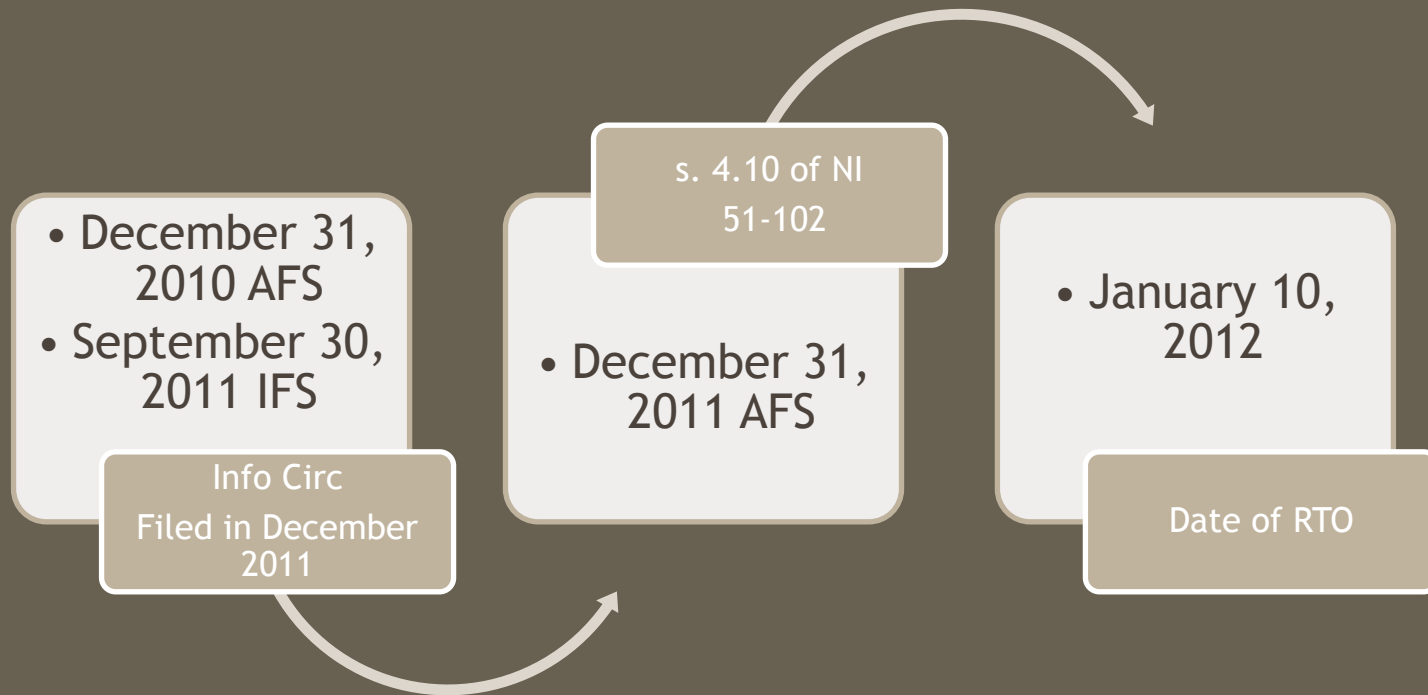
Additional GAAP Measures

- Non-GAAP vs. Additional GAAP measures
- Relevance → discussion in MD&A
- Appropriateness:
 - Labels
 - Nature of inclusions/exclusions
- Blank subtotals

Financial statement gaps:

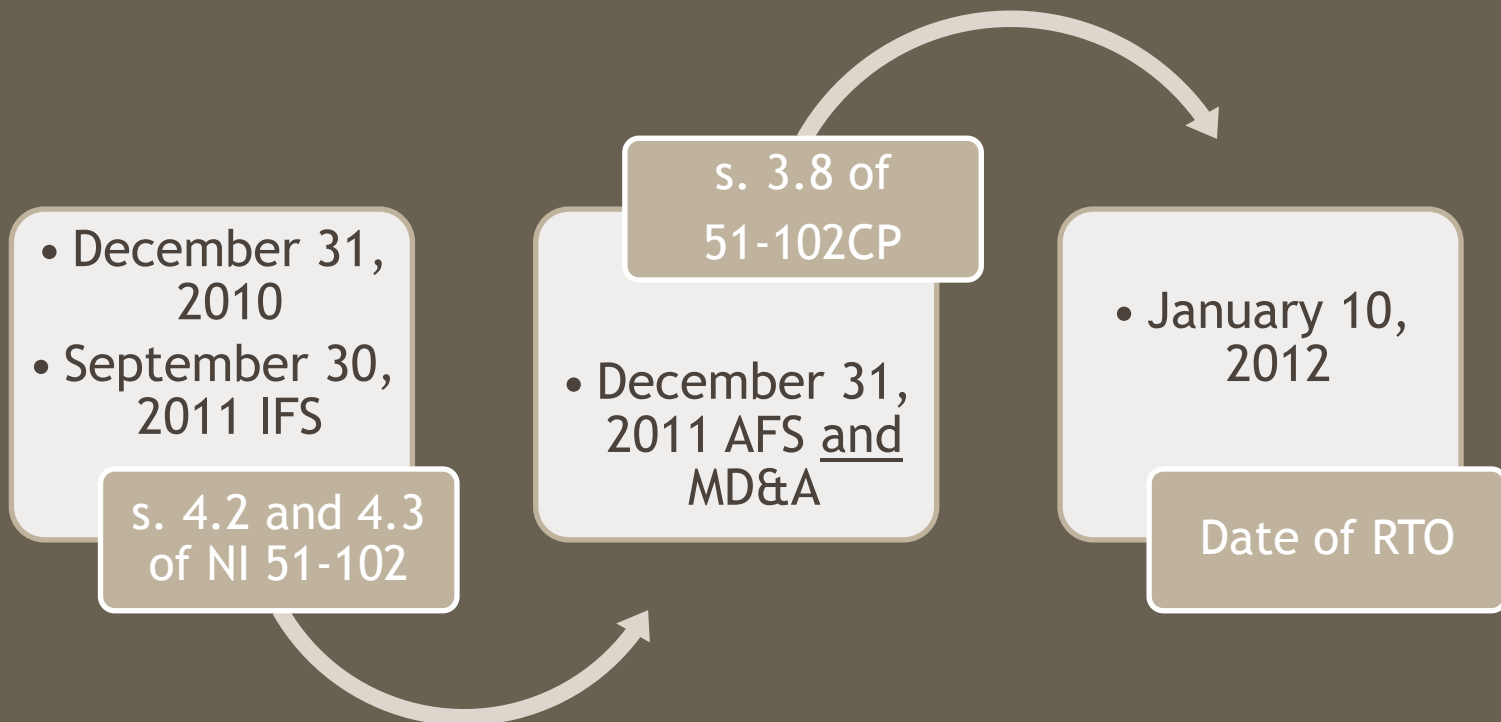
- Reverse takeovers (RTOs)
 - s. 4.10 of NI 51-102
 - Appropriately determine the RTO acquirer and the RTO acquiree
 - Ensure that each of the parties to the RTO present all of their required financial statements

Financial statement gaps – RTO Acquirer

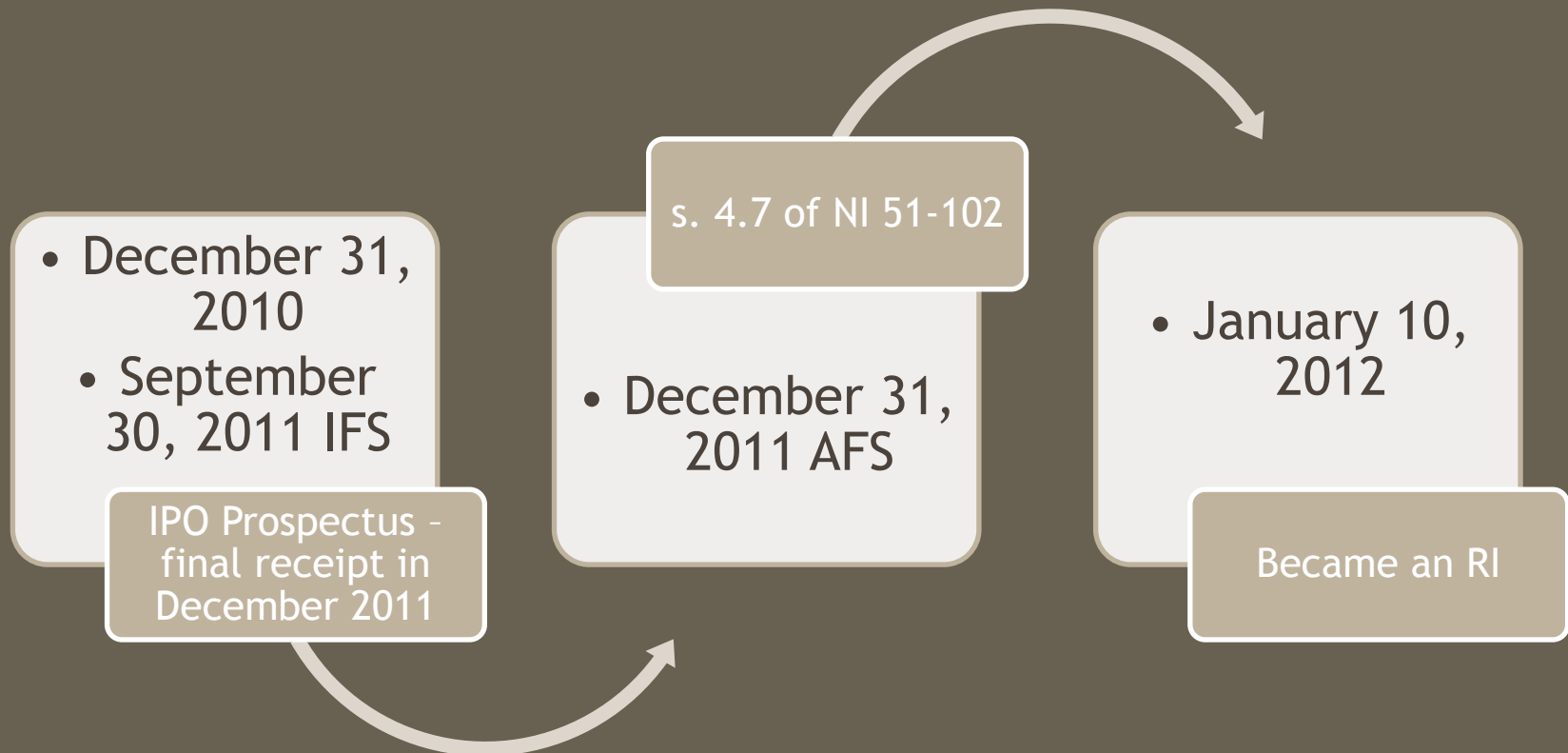


Financial statement gaps – RTO Acquiree

- File own financial statements and MD&A for periods ending before the date of the RTO, even if the filing deadline is after the date of the RTO



Financial statement gaps – after becoming an RI

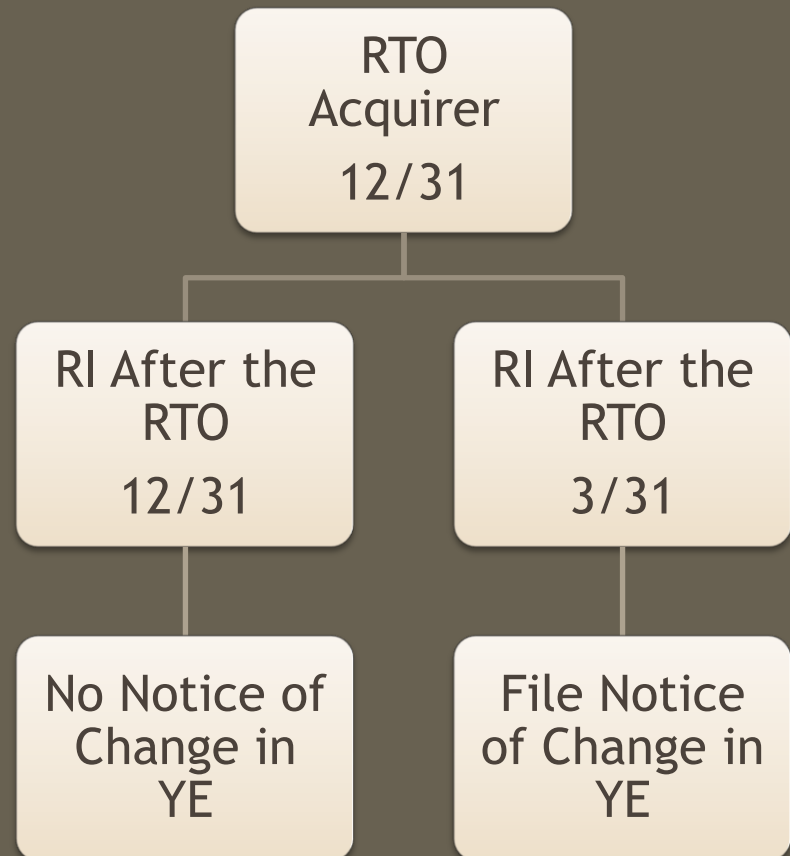


- IFRS
 - mixed GAAP disclosures
 - transition impact disclosure
- Venture issuers without significant revenue
- Forward looking information (FLI)
- Related party transactions

- Business Acquisition Reports
 - Not filed
 - Filed late
 - Filed with deficiencies
 - Significant probable acquisitions → passage of time could result in the inclusion of different financial statement periods
- Environmental disclosures
- Material Change Reports

– Notices

- Change in corporate structure
- Change in year end



Offering Documents

12 months ended November 30:

Filing Type	2011	2010
IPO Prospectus	32	32
Long Form Prospectus	5	5
Short Form Prospectus	159	189
Rights Offering Circular	6	5
CPC Prospectus	25	15
Total	<u>227</u>	<u>246</u>

Notice of Intention

- Required to be short form eligible
- 10 day period-CD review is conducted
- Material unresolved items noted during the initial review
- Unclear how RIs intend to be qualified
 - New RIs and Successor issuer

- Notice of intention CD review Common deficiencies:
 - Certificates NI 52-109
 - BARs – either not filed or deficient
 - Incorrect RTO accounting
 - Missing filings required under NI 51-102:
 - » S. 4.7- Filing financial statements after becoming a reporting issuer
 - » S. 4.8 - Change in year end
 - » S. 4.10 - NI 51-102-Reverse takeovers

1) Request for exemptive relief:

- Failure to apply
- Failure to recognize the relief is novel

TIPS

- Apply early if novel
- Clearly identify in cover letter
- Provide clear submission – why relief is needed, rationale for granting, relevant precedents

2) Cover Page and Summary Section

- Boilerplate
- Significant risks are not prominent

3) Inadequate Use of Proceeds Disclosure:

- Reasonable detail
- Objectives and milestones
- Junior issuers (s. 6.2 of 41-101F1)
- Insufficient proceeds
 - Minimum offering
 - Threshold disclosure

Update from the Office of the Chief Accountant (OCA)

- IFRS
 - Where are we?
 - What is coming up?
- How we are involved in accounting and auditing developments
 - IFRS Discussion Group
 - CSA Chief Accountants' Committee
 - Other

Where are we?

- What are the rules?
 - Reporting issuers
 - Acquisition statements
 - Exempt distributions
- Exceptions to the rules
 - Investment funds and investment companies
 - Rate regulated issuers
- Waiting for the US decision...

What's coming up?

- Annual financial statements
 - First time auditor involvement?
 - First IFRS financial statements
- Future changes to auditing standards?
 - Changes to audit report
 - Auditor Discussion and Analysis
 - Audit Committee reporting
 - Firm rotation, mandatory tendering, joint audits

- CSA Committees
 - Chief Accountants' Committee
 - CD Review Committee
- Advisory Groups
 - ASC Financial Advisory Committee
 - CSA Financial Reporting Advisory Committee
- Canadian external contacts
 - CPAB, AcSB, AASB

How the OCA fits in

- Participation in external groups
 - AcSB IFRS Discussion Group
 - Associate member of IOSCO
 - CAPP IFRS Subcommittee
- Formal comment letters
 - <http://www.securities-administrators.ca>

- <http://www.acsbcanada.org/international-activities/ifrs/item30753.aspx>
- How to:
 - Submit an issue
 - Attend meetings
 - Review a particular issue
- Goals of IFRS Discussion Group

- O&G related topics
 - Farm-outs
 - Discount rate to use in calculation of ARO
- Other relevant topics
 - Cash flow per share
 - IAS hierarchy
 - Reverse takeovers
 - Contingent consideration for asset acquisitions
 - Acquisitions of interests in joint ventures

Questions?