

# NOTICE RELATING TO FINANCIAL STATEMENT REQUIREMENTS FOR IPO ISSUERS ACQUIRING MINING CLAIMS

Référence : Bulletin de l'Autorité : Non disponible

## Purpose

In this notice, the *Autorité des marchés financiers* (AMF) provides guidance on financial statement requirements for initial public offering (IPO) issuers acquiring mining claims. This question is currently being discussed at the Canadian Securities Administrators' level and until further guidelines are developed, this notice aims at guiding issuers, more particularly with respect to IPO prospectuses of issuers that have recently acquired, or are contemplating acquiring, mining claims.

## Context

Item 32 of Form 41-101F1 *Information Required in a Prospectus* (Form 41-101F1) of *Regulation 41-101 respecting General Prospectus Requirements*, R.R.Q., c. V-1.1, r. 14, requires all issuers filing an IPO prospectus (IPO issuers) to include audited annual financial statements for each of the three most recently completed financial years along with the latest comparative unaudited interim financial report (the Financial Statement Requirements).

When assessing the necessary financial statements for a prospectus filing, issuers and their advisors should consider item 32.1 of Form 41-101F1, which includes the following requirements:

*The financial statements of an issuer required under this Item to be included in a prospectus must include:*

(a) *the financial statements of any predecessor entity that formed, or will form, the basis of the business of the issuer, even though the predecessor entity is, or may have been, a different legal entity, if the issuer has not existed for 3 years,*

(b) *the financial statements of a business or businesses acquired by the issuer within 3 years before the date of the prospectus or proposed to be acquired, if a reasonable investor reading the prospectus would regard the primary business of the issuer to be the business or businesses acquired, or proposed to be acquired, by the issuer, and*

(c) . . .

## **Application of the Financial Statement Requirements to IPO issuers acquiring mining claims**

To meet the Financial Statement Requirements, an IPO issuer that has acquired, or is in the process of acquiring, mining claims, must include, for the mining claims themselves, the audited annual financial statements for each of the three most recently completed financial years, along with the latest comparative unaudited interim financial report. We understand however that it may be difficult for IPO issuers to comply with this requirement in certain situations.

In a situation where the mining claims were spun-out or transferred to the IPO issuer, we generally consider inclusion of the audited financial statements of the claims being transferred (also known as “carve-out financial statements”) to meet the Financial Statement Requirements.

In certain other situations, relief from the Financial Statement Requirements may be granted, notably, where:

- the mining claims were transferred to the IPO issuer through an arm’s length transaction, provided that
  - no other assets were transferred nor any liabilities assumed, and
  - the prospectus includes
    - an audited statement of exploration expenditures (capitalized or expensed) with related notes, and
    - disclosure of the estimated future overhead expenditures to be incurred by the IPO issuer; or
- the mining claims are dormant, meaning that there has not been any exploration work performed on the claims in the past three years.

Also, in circumstances not dealt with in this staff notice, relief from the Financial Statement Requirements may be granted on a case by case basis where relevant submissions are provided.

IPO issuers seeking relief from the Financial Statement Requirements should use the pre-filing procedures in *Policy Statement 11-202 respecting Process for Prospectus Reviews in Multiple Jurisdictions*.

The *Service du financement des sociétés* (AMF Corporate Finance) will continue to monitor this issue and further updates will be provided when available.

## **Additional information**

Additional information can be obtained by contacting any of the following individuals at AMF Corporate Finance:

### **Gabriel Araish, Accountant**

Tel: 514-395-0337 ext. 4414

Toll-free: 1-877-0337, ext. 4414

E-mail: [gabriel.araish@lautorite.qc.ca](mailto:gabriel.araish@lautorite.qc.ca)

### **Louis Auger, Accountant**

Tel: 514-395-0337 ext. 4383

Toll-free: 1-877-0337, ext. 4383

E-mail: [louis.auger@lautorite.qc.ca](mailto:louis.auger@lautorite.qc.ca)

### **Patrick Théorêt, Manager**

Tel: 514-395-0337 ext. 4381

Toll-free: 1-877-0337, ext. 4381

E-mail: [patrick.theoret@lautorite.qc.ca](mailto:patrick.theoret@lautorite.qc.ca)

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