

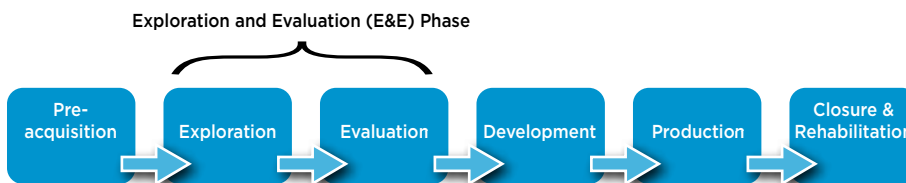
PHASES OF ACTIVITIES

VIEWPOINTS: Applying IFRSs in the Mining Industry

BACKGROUND ON DIFFERENT PHASES OF ACTIVITIES OF A MINING ENTITY

This publication provides background information on the different phases of activities of a mining entity. The accounting for expenditures depends on whether they are incurred in or outside of the exploration and evaluation phase.

The different phases of activities of a mining entity may be illustrated as follows:



Pre-acquisition activities are those activities that are undertaken before an entity has obtained legal rights to explore in a specific area.

Exploration activities involve searching for mineral resources after the entity has obtained legal rights to explore in a specific area. Exploration activities may include:

- conducting topographical, geological, geochemical and geophysical studies; and
- carrying out exploratory drilling, trenching and sampling activities.

Evaluation activities involve determining the technical feasibility and commercial viability of extracting a mineral resource. Evaluation activities may include:

- drilling, trenching and sampling activities to determine the quantity and grade of the deposit;
- examining and testing extraction methods and metallurgical or treatment processes; and
- detailed economic feasibility evaluations to determine whether development of the reserves is commercially justified and to plan methods for mine development.

Mining Industry Task Force on IFRSs

Canada's move to International Financial Reporting Standards (IFRSs) creates unique challenges for junior mining companies. Financial reporting in the sector is atypical due to significant differences in characteristics between junior mining companies and other types of companies. The Canadian Institute of Chartered Accountants (CICA) and the Prospectors and Developers Association of Canada (PDAC) created the Mining Industry Task Force on IFRSs to share views on IFRS application issues of relevance to junior mining companies. The task force's views are provided in a series of papers that are available through free download. These views are of particular interest to chief financial officers, controllers and auditors.

The views expressed in this series are non-authoritative and have not been formally endorsed by the CICA, PDAC or the organizations represented by the task force members.

Development is the expansion of access to the mineral reserve and other preparations for production after the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated. Development activities may include:

- making permanent excavations;
- sinking a production shaft;
- developing passageways and rooms or galleries;
- developing leach pads;
- constructing tailing ponds, settling ponds and waste dumps;
- constructing administrative buildings, warehouses and maintenance buildings;
- constructing housing or other workforce accommodations;
- constructing concentrators and other processing plants;
- building roads and tunnels; and
- advance removal of overburden and waste rock.

Production involves the extraction of ore and the related processes necessary to produce marketable or transportable minerals. Crushing and grinding, flotation, leaching, milling, settling, solvent extraction and electrowinning are some of the processes commonly used to produce a saleable product.

It is important to note that many of the activities illustrated occur in several of the phases. For example, exploratory drilling will often occur while a mine is in the production phase, and development activities may also occur in the exploration, evaluation and production phases.

Closure and rehabilitation involve the dismantling and demolition of infrastructure, the removal of residual material and the rehabilitation and restoration of the mine site.

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For more information on IFRSs visit:

www.cica.ca/IFRS