

2011 BCSECCOM 484

October 20, 2011

Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 52-107, s. 5.1 *Acceptable Accounting Principles and Auditing Standards* – A reporting issuer wants to early adopt IFRS for purposes of preparing its financial statements.– The issuer only recently became a reporting issuer; the issuer has not previously prepared financial statements for the public; the issuer’s prospectus contains financial statements from the date of incorporation prepared in accordance with IFRS; the issuer has assessed the readiness of its staff, board, audit committee, auditors and investors.

Applicable Legislative Provisions

National Instrument 52-107, s. 5.1 - *Acceptable Accounting Principles and Auditing Standards*

National Instrument 52-107, s. 4.2 - *Acceptable Accounting Principles – General Requirements*

In the Matter of
the Securities Legislation of
British Columbia
(the Jurisdiction)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Rotation Minerals Ltd.
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the

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principal regulator (the Legislation) exempting the Filer from the requirement in section 4.2 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) that its financial statements be prepared in accordance with Canadian GAAP Part V in order that the Filer may prepare financial statements for periods beginning on or after November 24, 2009 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is International Financial Reporting Standards (IFRS) incorporated into the Handbook (the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta (the Passport Jurisdiction).

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and NI 52-107 have the same meaning if used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
1. the Filer was incorporated in British Columbia on November 24, 2009; its head office is located at 611 – 8th Street, PO Box 211, Stewart, British Columbia, V0T 1W0;
 2. the Filer is a reporting issuer in British Columbia and Alberta; the Filer is not in default of securities legislation in any jurisdiction;
 3. the Filer filed a final long form prospectus dated September 16, 2011 (the Prospectus) in British Columbia and Alberta in connection with its initial public offering of common shares in Canada; the Filer obtained a receipt for the Prospectus on September 16, 2011;
 4. the common shares of the Filer are listed on the TSX Venture Exchange;

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5. the Filer is a mineral exploration company;
6. the Filer does not have any operating revenue as it is still in the exploration phase;
7. NI 52-107 sets out acceptable accounting principles for financial reporting under the Legislation by domestic issuers, foreign issuers, registrants and other market participants; under section 4.2 of NI 52-107, a domestic issuer must use Canadian GAAP – Part V for financial years beginning before January 1, 2011; under Part 4 of NI 52-107, only foreign issuers may use IFRS for financial years beginning before January 1, 2011;
8. in CSA Staff Notice 52-321 *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS for periods beginning prior to January 1, 2011, and indicated that staff were prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so;
9. the Prospectus contains financial statements prepared in accordance with IFRS for the period from November 24, 2009 (date of incorporation) to August 31, 2010 and for the nine months ended May 31, 2011; these financial statements contain an explicit and unreserved statement of compliance with IFRS; except for the financial statements contained in the Prospectus, the Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS;
10. the Filer's financial year-end is August 31;
11. the Filer has evaluated its overall readiness for the adoption of IFRS, including the readiness of its staff, board of directors and audit committee and has concluded that it is adequately prepared for adoption of IFRS effective immediately;
12. the Filer has considered the implications of adopting IFRS on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports and offering documents;
13. early adoption of IFRS will eliminate the need to plan and perform a conversion from Canadian GAAP Part V to IFRS; and

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14. early adoption of IFRS will also eliminate the requirement to provide reconciliations of financial statements prepared under both Canadian GAAP Part V and IFRS.

Decision

¶ 4 The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that the Filer prepares its financial statements for financial periods beginning on or after November 24, 2009 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission