

# 2011 BCSECCOM 340

June 28, 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. 9.1 - *Acceptable Accounting Principles and Auditing Standards* – a reporting issuer wants to early adopt IFRS for purposes of preparing its financial statements - the issuer has assessed the readiness of its staff, board, audit committee, auditors and investors; the issuer will provide detailed disclosure regarding its early adoption of IFRS as set out in CSA Staff Notice 52-320 in a news release or in restated and re-filed MD&A for its most recent interim period to be disseminated or re-filed within seven days of the decision; the issuer will restate and re-file any financial statements prepared in accordance with Canadian GAAP for interim periods for the fiscal year in which they intend to adopt IFRS together with related interim MD&A and certificates required by NI 52-109.

## Applicable Legislative Provisions

National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

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  
Desert Gold Ventures Inc.  
(the Filer)

Decision

## Background

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

## 2011 BCSECCOM 340

the 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 financial statements be prepared in accordance with Canadian GAAP – Part V in order that the Filer may prepare its financial statements for the fiscal year ending July 31, 2011 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook, (the Exemption Sought).

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

1. the British Columbia Securities Commission is the principal regulator for this application; and
2. 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.

### **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 is a corporation incorporated under the federal laws of Canada;
  2. the registered and head office of the Filer is located at 1250 West Hastings Street, Vancouver, British Columbia V6E 2M4;
  3. the Filer is a reporting issuer in British Columbia and Alberta;
  4. the Filer is not in default of securities legislation of any jurisdiction;
  5. the Filer's securities are listed on the TSX Venture Exchange (TSXV);
  6. the Filer is a mineral exploration company whose major asset, at present, is a 50% interest in the Goldbanks Property in Nevada, USA under the terms of a joint venture agreement entered into with a subsidiary of Kinross Gold Corporation;

## 2011 BCSECCOM 340

7. the Filer is contemplating the acquisition (the Acquisition) of all of the issued and outstanding shares in the capital of TransAfrika Belgique S.A., a private Belgian company which owns mining assets in Africa through wholly-owned subsidiaries in Mali, Senegal and Rwanda;
8. the Filer's financial year end is July 31; subject to obtaining the Exemption Sought, the Filer's date of transition to IFRS will be August 1, 2009;
9. the Filer currently prepares its financial statements in accordance with Canadian GAAP – Part V;
10. the Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS;
11. the Canadian Accounting Standards Board adopted IFRS as Canadian GAAP for most publicly accountable enterprises for financial years beginning on or after January 1, 2011;
12. 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 NI 52-107, a domestic issuer must use Canadian GAAP – Part V for fiscal years beginning before January 1, 2011 with the exception that an SEC registrant may use US GAAP; under NI 52-107, only foreign issuers may use IFRS for financial years beginning before January 1, 2011;
13. 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, despite section 4.2 of NI 52-107;
14. the Filer believes that the adoption of IFRS will eliminate complexity from the Filer's financial statement preparation process by allowing the Filer to utilize IFRS, the emerging, globally accepted accounting standard, for accounting and audit purposes throughout the various jurisdictions in which it operates and intends to operate;
15. the Filer has implemented a comprehensive IFRS conversion plan, including staff re-training, examining the internal control over financial reporting and disclosure controls and procedures surrounding the adoption of IFRS, and

## 2011 BCSECCOM 340

reviewing the related working papers and draft IFRS financial statements for periods beginning on or after August 1, 2010;

16. the board of directors of the Filer has approved early adoption of IFRS;
17. the Filer has carefully assessed the readiness of its staff, board of directors, audit committee, auditors, investors and other market participants for the adoption by the Filer of IFRS and has concluded that they will be adequately prepared for the Filer's adoption of IFRS for the year ending July 31, 2011;
18. the Filer has considered the implication of adopting IFRS for the year ending July 31, 2011 on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certificates, business acquisition reports, disclosure required in connection with the Acquisition, offering documents, and previously released material forward-looking information;
19. the Filer has communicated its intention to early adopt IFRS to its external auditors, Davidson & Company, Chartered Accountants (Davidson); Davidson has significant experience with companies that have already transitioned to IFRS or have been reporting under IFRS;
20. the Filer will communicate its IFRS implementation plans to investors as contemplated by CSA Staff Notice 52-320 - *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* by disclosing relevant information about its changeover to IFRS in a news release not more than seven days after the date of this decision and prior to or concurrent with filing any interim financial reports or annual financial statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook, including:
  - (i) the key elements and timing of the Filer's changeover plan;
  - (ii) the accounting policy and implementation decisions the Filer has made or will have to make;
  - (iii) the exemptions available under IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) that the Filer expects to apply in preparing financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises;

## 2011 BCSECCOM 340

- (iv) major identified differences between the Filer's current accounting policies and those the Filer is required or expects to apply in preparing its financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises; and
- (v) the impact of adopting Canadian GAAP applicable to publicly accountable enterprises on the key line items in the Filer's financial statement for the year ending July 31, 2011.

### **Decision**

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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:

- (i) the Filer prepares its financial statements for the year ending July 31, 2011 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook;
- (ii) the Filer provides all of the communication and information as described and in the manner set out in paragraph 20 above;
- (iii) the Filer's first interim financial report prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises includes an opening statement of financial position as at the date of transition to IFRS that is presented with prominence equal to the other statements that comprise the interim financial report; and
- (iv) to the extent that that the Filer has filed or will file interim financial statements prepared in accordance with Canadian GAAP – Part V for one or more interim periods in the year that the Filer adopts IFRS, the Filer will restate and refile those interim financial statements originally prepared under Canadian GAAP – Part V in accordance with Canadian GAAP applicable to publicly accountable enterprises together with the related restated interim management's discussion and analysis as well as the certificates required by National

## **2011 BCSECCOM 340**

Instrument 52-109 - *Certification of Disclosure in Issuers' Annual  
and Interim Filings.*

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