

2011 BCSECCOM 483

October 19, 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 *Acceptable Accounting Principles and Auditing Standards* - Reconciliation relief - An issuer wants relief from the requirement to reconcile certain acquisition statements to Canadian GAAP - The issuer will provide pro forma financial statements prepared as outlined in section 8.7(9) of CP 51-102 as it applies to financial years beginning on or after January 1, 2011; the pro forma financial statements will present any material accounting policy differences between Canadian GAAP – Part V and IFRS that can be reasonably estimated as adjustments to the pro forma income statement and describe such differences in the notes to the pro forma income statement

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* - Audit relief - An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS - The issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' financial statements have been audited in accordance with International Standards on Auditing; the auditor of the acquisition statements has represented to the filer that it has expertise and experience in ISAs; the auditor's report will state that the acquisition statements were audited in accordance with ISAs as issued by the IAASB

Applicable British Columbia Provisions

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*

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

and

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

and

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In the Matter of
Coronet Metals Inc.
(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 principal regulator (the Legislation) that the Filer is exempt from (i) the requirement to reconcile acquisition statements to the accounting principles used to prepare the Filer's financial statements under section 4.11(4) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) and (ii) the requirement that acquisition statements must be audited in accordance with Canadian GAAS, U.S. PCAOB GAAS or U.S. AICPA GAAS under section 4.12(1) of NI 52-107 for acquisition statements of the Acquired Business (as defined below) required to be included in a business acquisition report under section 8.4(1) of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) (the Exemptions 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.

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 existing under the *Business Corporations Act* (British Columbia) and its head office is located in Vancouver;
 - 2. the Filer is a reporting issuer in British Columbia and Alberta and is in default of securities legislation in both British Columbia and Alberta in respect of its

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delay in filing a business acquisition report (BAR) in connection with acquiring the Acquired Business;

3. the Filer is authorized to issue an unlimited number of common shares without par value; as of September 28, 2011, the Filer has 82,771,525 common shares issued and outstanding;
4. on June 1, 2011, the Filer completed a reactivation from the NEX Board of the TSX Venture Exchange (the TSX-V) to the TSX-V, in connection with its acquisition of the Acquired Business; the common shares of the Filer are listed on the TSX-V under the symbol “CRF”;
5. the Filer is engaged in the business of acquiring, exploring and, if warranted, developing natural resource properties with a focus on precious mineral properties in South America; the Filer is considered to be in the exploration stage as it has not placed any mineral properties into production;
6. the Filer’s annual financial statements for the years up to and including the financial year ended March 31, 2011 have been prepared in accordance with Canadian GAAP – Part V and audited in accordance with Canadian GAAS;
7. the Filer’s annual financial statements for the years commencing on or after April 1, 2011 will be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and will be audited in accordance with Canadian GAAS, as required by NI 52-107;
8. on June 2, 2011, the Filer acquired (the Acquisition) all of the issued and outstanding common shares of Golden Eagle Resources Peru S.A.C. and certain assets comprised of a technical data base (collectively, the Acquired Business);
9. the Acquired Business is not now, nor has at any relevant time been, a reporting issuer in any jurisdiction in Canada or the equivalent in any other jurisdiction;
10. since the Acquisition was a “significant acquisition” for the Filer within the meaning of section 8.3 of NI 51-102, the Filer was required to file a BAR in accordance with section 8.2 of NI 51-102 within 75 days of the completion of the Acquisition;
11. in order to comply with section 8.4 of NI 51-102, the Filer would have been required to include in the BAR, among other things:

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- (a) the audited annual financial statements of the Acquired Business for the financial year ended December 31, 2010, with comparative information for the financial year ended December 31, 2009 (the Required Annual Statements);
 - (b) the interim financial statements of the Acquired Business for the interim period ended March 31, 2011, with comparative information for the interim period ended March 31, 2010 (the Required Interim Statements, and together with the Required Annual Statements, the Required Statements); and
 - (c) *pro forma* financial statements for the Filer consisting of the following:
 - (i) a *pro forma* statement of financial position as at the date of the Filer's most recent statement of financial position filed, giving effect to the Acquisition if it is not reflected in the Filer's most recent statement of financial position filed (the Pro Forma Statement of Financial Position);
 - (ii) an annual *pro forma* income statement for the Filer's most recently completed financial year for which it has filed financial statements (the Pro Forma Income Statement);
 - (iii) *pro forma* earnings per share based on the *pro forma* income statement (the Pro Forma Earnings); and
 - (iv) notes setting out the underlying assumptions on which the *pro forma* financials are prepared, cross-references to each related *pro forma* adjustment which reflect the completion of the Acquisition and related transaction as if they had occurred as of the beginning of the financial year in item (ii) above for the purpose of the *pro forma* income statement, and as of the Filer's most recent statement of financial position filed for the purposes of the *pro forma* statement of financial position (the Pro Forma Notes);
12. on August 28, 2011, the Filer filed its June 30, 2011 interim financial report that reflects the Acquisition; the Filer is no longer required to provide the Pro Forma Statement of Financial Position; the Filer is still required to include the Pro Forma Income Statement, the Pro Forma Earnings and the Pro Forma Notes (collectively, the Pro Forma Statements) in the BAR;

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13. the Required Statements are “acquisition statements” for the purposes of NI 52-107;
14. the Required Annual Statements have been prepared in accordance with IFRS and have been audited in accordance with International Standards on Auditing issued by the International Audit and Assurance Standards Board (ISA as issued by the IAASB);
15. the auditor’s reports of Barzola & Asociados accompanying the Required Annual Statements will not contain any reservations;
16. section 4.11(4) of NI 52-107 requires the Required Statements to be reconciled to Canadian GAAP – Part V, and the notes to such financial statements to:
 - (a) explain the material differences between Canadian GAAP – Part V and IFRS principles that relate to recognition, measurement, and presentation;
 - (b) quantify the effect of material differences between Canadian GAAP – Part V and the IFRS principles that relate to recognition, measurement, and presentation, including tabular reconciliation between net income reported in the Required Statements and net income computed in accordance with Canadian GAAP – Part V; and
 - (c) provide disclosure consistent with Canadian GAAP – Part V to the extent not already reflected in the Required Statements;
17. section 4.12(2)(a) of NI 52-107 does not permit the Filer to include in the BAR the Required Annual Statements audited in accordance with ISA issued by the IAASB because the Filer is not a "foreign issuer" within the meaning of NI 52-107;
18. as part of the preparation of the Pro Forma Statements, the Filer will identify accounting policy differences whose impact would be potentially material and which could be reasonably estimated and consider any differences between IFRS and Canadian GAAP – Part V, and will describe such differences in the notes to the Pro Forma Statements in the course of describing the adjustments presented in the Pro Forma Statements relating to the financial results of the Acquired Business;
19. Barzola & Asociados has represented to the Filer that it has experience and expertise with ISA issued by the IAASB; and

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20. paragraph 20 of Part 1 of the Assurance Handbook of the Canadian Institute of Chartered Accountants provides that the ISA issued by the IAASB have been adopted as Canadian Auditing Standards for audits of financial statements for periods ending on or after December 14, 2010.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemptions Sought are granted provided that:

- (a) the Filer includes in the BAR the Required Annual Statements prepared in accordance with IFRS, audited in accordance with ISA issued by the IAASB, and accompanied by an auditor's report that does not contain a reservation; and
- (b) the Pro Forma Statements are prepared:
 - (i) as set out in section 8.7(9) of Companion Policy 51-102CP as it applies to financial years beginning on or after January 1, 2011;
 - (ii) identify accounting policy differences between Canadian GAAP – Part V and IFRS that would potentially have a material impact and which could be reasonably estimated; and
 - (iii) describe such differences in the notes to the Pro Forma Statements in the course of describing the adjustments presented in the Pro Forma Statements relating to the financial results of the Acquired Business.

Martin Eady, CA
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British Columbia Securities Commission