

2011 BCSECCOM 179

April 11, 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, Auditing Standards and Reporting Currency* - A reporting issuer wants to early adopt IFRS for purposes of preparing its financial statements - The issuer has previously prepared financial statements in accordance with IFRS-IASB to comply with the requirements of a foreign regulator; the issuer has assessed the readiness of its staff, board, audit committee, auditors and investors; the issuer has provided detailed disclosure regarding its early adoption of IFRS in its most recently filed MD&A or in a press release if the issuer has already filed all of its interim financial statements for the current financial year; the issuer will provide disclosure equivalent to that required in IFRS 1 in its financial statements filed with the CSA for the first financial year it relies on this relief

Applicable British Columbia Provisions

National Instrument 52-107, s. 9.1

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
Glass Earth Gold Limited
(the Filer)

Decision

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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) exempting the Filer from the requirements 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 generally accepted accounting principles determined with reference to Part V of the Handbook applicable to public enterprises (the Exemption Sought), in order that the Filer may prepare its financial statements for the financial period ended December 31, 2010, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS-IASB).

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* and MI 11-102 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 under the *Business Corporations Act* (British Columbia) (formerly the *Company Act* (British Columbia)) on March 23, 1989;
 - 2. the head office of the Filer is located in Wellington, New Zealand;
 - 3. the Filer, through its wholly owned subsidiary Glass Earth (New Zealand) Limited, is engaged in the acquisition and exploration of mineral properties in New Zealand;
 - 4. the Filer is a reporting issuer in the Jurisdiction and the Passport Jurisdiction; the Filer is not in default of securities legislation in any jurisdiction;

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5. the common shares of the Filer are listed on the TSX Venture Exchange (the TSXV) and on the New Zealand Alternative Market (NZAX);
6. the Filer prepares its financial statements in accordance with Canadian GAAP as determined with reference to Part V of the Handbook applicable to public enterprises;
7. the New Zealand Accounting Standards Review Board adopted IFRS in 2007 and, as a result, the Filer has prepared an additional set of audited financial statements for the years ended December 31 2009, 2008 and 2007 that complied with IFRS-IASB;
8. the Canadian Accounting Standards Board adopted IFRS-IASB as Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011;
9. 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 as determined with reference to Part V of the Handbook applicable to public enterprises, with the exception that an SEC registrant may use US GAAP; under Part 4 of NI 52-107, for financial years beginning before January 1, 2011, only foreign issuers may use IFRS-IASB;
10. 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-IASB 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;
11. subject to obtaining the Exemption Sought, the Filer intends to adopt IFRS-IASB for its financial statements for periods beginning on and after January 1, 2010 with a transition date of January 1, 2007;
12. the Filer believes the adoption of IFRS-IASB will avoid potential confusion for the users of its financial statements because the reporting requirements of all its primary regulators would be satisfied using one accounting standard; additionally, the use of a single accounting standard would eliminate complexity and cost from the Filer's financial statement preparation process;

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13. 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-IASB for financial periods beginning on and after January 1, 2010 and has concluded that they will be adequately prepared for the Filer's adoption of IFRS-IASB for periods beginning on January 1, 2010;
14. the Filer has considered the implications of adopting IFRS-IASB for financial periods beginning on and after January 1, 2010 on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents, and previously released material forward looking information, and has concluded that if the Exemption Sought is granted it will continue to be able to fulfil these obligations; and
15. immediately upon issuance of this decision, the Filer will disseminate a news release providing relevant information about its conversion to IFRS-IASB as contemplated by CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*, including:
 - (a) the key elements and timing of its changeover plan;
 - (b) accounting policy and implementation decisions the Filer has made or will have to make;
 - (c) the exemptions available under IFRS 1 that the Filer expects to apply in preparing financial statements in accordance with IFRS-IASB;
 - (d) major differences the Filer has identified between its current accounting policies and those the Filer is required or expects to apply in preparing financial statements under IFRS-IASB; and
 - (e) the impact of the changeover on the key line items presented in the Filer's interim financial statements for the period ending September 30, 2010.

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:

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- (a) the Filer prepares its annual financial statements for the financial periods beginning on or after January 1, 2010 in accordance with IFRS-IASB;
- (b) the Filer provides all communication as described in the manner set out in paragraph 15;
- (c) the Filer prepares its interim financial statements for interim periods beginning on or after January 1, 2010 in accordance with IFRS-IASB, except that if the Filer files interim financial statements prepared in accordance with Canadian GAAP, as determined with reference to Part V of the Handbook applicable to public enterprises, for one or more interim periods for the financial year in which it adopts IFRS-IASB, the Filer will restate and re-file those interim financial statements in accordance with IFRS-IASB, together with the related restated interim management's discussion and analysis as well as the certificates required by NI 52-109, prior to filing its annual financial statements for the periods beginning on or after January 1, 2010 in accordance with IFRS-IASB;
- (d) the Filer's first IFRS-IASB financial statements for an interim period include an opening statement of financial position as at the date of transition to IFRS-IASB that is presented with prominence equal to the other statements that comprise those interim financial statements;
- (e) the first annual financial statements referred to in paragraph (a), and the interim financial statements for the first interim period in that first financial year, include the reconciliations and other information specified in paragraphs 6 and 23 through 28 of IFRS 1, including but not limited to:
 - (i) an opening IFRS statement of financial position as at the transition date of January 1, 2007;
 - (ii) a reconciliation of equity as previously reported in accordance with Canadian GAAP to equity in accordance with IFRS as at the transition date of January 1, 2007 and as at each year end since that date;
 - (iii) a reconciliation of total comprehensive income as previously reported in accordance with Canadian GAAP to total comprehensive income in accordance with IFRS for the year ended December 31, 2007 and each subsequent year;

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- (iv) sufficient information to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income for the year ended December 31, 2007 and each subsequent year; and
- (v) material differences between the statements of cash flows as previously reported in accordance with Canadian GAAP and restated IFRS amounts for the year ended December 31, 2007 and each subsequent year; and
- (f) the first interim financial statements referred to in paragraph (e) include the disclosure specified in IFRS 1 for interim financial reports.

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