

2011 BCSECCOM 522

November 21, 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 has assessed the readiness of its staff, board, audit committee, auditors and investors; the issuer has acquired a business that has historically prepared its financial statements in accordance with IFRS and the business will be consolidated going forward; the issuer's MD&A for the next interim or annual period will provide detailed disclosure about its transition to IFRS; the issuer will re-file any previously filed interim financial statements prepared in accordance with Canadian GAAP – Part V and those re-filed interim financial statements will be prepared in accordance with IFRS; the issuer is in default of filing requirements and acknowledges that any rights of action are not terminated

Applicable British Columbia Provisions

National Instrument 52-107, s. 5.1 *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 Applications in Multiple Jurisdictions

and

In the Matter of
Tigray Resources Inc.
(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) for an order 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 (the Exemption Sought), in order that the Filer may prepare financial statements for periods ending on or after September 23, 2010 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook.

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, Saskatchewan, Manitoba, New Brunswick and Québec.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions*, NI 52-107, 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 is a corporation incorporated under the federal laws of Canada on September 23, 2010;
 - 2. the head and registered office of the Filer are located at 1055 Dunsmuir Street, Suite 3114, P.O. Box 49081, Four Bentall Centre, Vancouver, BC V7X 1G4;
 - 3. the Filer is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Québec and New Brunswick;
 - 4. the Filer is not in default of securities legislation of any jurisdiction, except that it has filed financial statements that were not prepared in accordance with Canadian GAAP – Part V as required by Section 4.2 of NI 52-107;

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5. the Filer acknowledges that any rights of action available to any person or company or securities regulatory authority against the Filer for failure to provide financial statements prepared in accordance with Canadian GAAP – Part V are not terminated or altered as a result of this decision;
6. the Filer’s common shares are currently listed on the TSX Venture Exchange under the symbol “TIG”;
7. on July 4, 2011, Canaco Resources Inc. (Canaco) and the Filer completed a spin-out transaction (the Transaction) pursuant to which Canaco’s 70% interest in Harvest Mining plc (Harvest Mining), a private company, was transferred to the Filer by way of plan of arrangement under the *Canada Business Corporations Act*;
8. upon completion of the Transaction, Harvest Mining became a subsidiary of the Filer;
9. going forward, the Filer will present consolidated financial statements in which it consolidates its investment in Harvest Mining;
10. the Filer has previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS, i.e. the financial statements for the period from incorporation to April 30, 2011 which are included in the information circular of Canaco describing the Transaction;
11. the information circular of Canaco describing the Transaction contained audited financial statements of Harvest Mining for its financial years ended December 31, 2010, 2009, and 2008, and interim financial statements for the three months ended March 31, 2011 (Harvest Mining Statements); the Harvest Mining Statements were prepared in accordance with IFRS;
12. the Filer analyzed the Harvest Mining Statements and determined there would have been no material differences, in recognition and measurement, had the Harvest Mining Statements been prepared in accordance with Canadian GAAP – Part V;
13. Harvest Mining has been preparing its financial statements in accordance with IFRS since its incorporation; the financial statements of Harvest Mining for its financial years ended December 31, 2010, 2009, and 2008 were prepared in accordance with IFRS and audited in accordance with Canadian GAAS; all

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interim financial reports prepared by Harvest Mining have been prepared in accordance with IFRS;

14. the Canadian Accounting Standards Board adopted IFRS as Canadian GAAP for most publicly accountable enterprises for fiscal years beginning on or after January 1, 2011;
15. 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, for financial years beginning before January 1, 2011, a domestic issuer must use Canadian GAAP - Part V, with the exception that an SEC registrant may use U.S. GAAP; under Part 4 of NI 52-107, for financial years beginning before January 1, 2011, only foreign issuers may use IFRS;
16. 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;
17. subject to obtaining the Exemption Sought, the Filer will adopt Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated in the Handbook, concurrent with the completion of the Transaction;
18. the Filer believes that the use of Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated in the Handbook, as the single accounting standard would eliminate complexity and cost from the financial statement preparation process; since Harvest Mining prepares its financial statements in accordance with IFRS, the use of Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated in the Handbook, as the Filer's accounting standard would permit the Filer to streamline the reporting process and reduce costs;
19. Harvest Mining has historically prepared its financial statements in accordance with IFRS, and since the Filer carries on its business through Harvest Mining since completion of the Transaction, there will be no conversion plan necessary;

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20. 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 Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated in the Handbook, and has concluded that they will be adequately prepared for the Filer's adoption of Canadian GAAP applicable to publicly accountable enterprises concurrent with the completion of the Transaction;
21. the Filer has considered the implications of adopting Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated in the Handbook, concurrent with the completion of the Transaction and 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
22. the Filer's management's discussion and analysis for the year ended August 31, 2011 will include relevant information about its transition to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook, including an explanation that the Filer's accounting will be IFRS, which is consistent with Harvest Mining's accounting principles, which have been IFRS since inception.

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:

- (a) the Filer prepares its annual and interim financial statements for financial periods ending on or after September 23, 2010 in accordance with Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook; and
- (b) to the extent 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 re-state those interim financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and re-file those interim financial statements together with the related re-stated interim

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management's discussion and analysis as well as the certificates required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

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