

# 2009 BCSECCOM 484

August 21, 2009

## **Headnote**

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* - An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS - The issuer acquired an equity interest in a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the issuer is required to include summary information in its business acquisition report (BAR) that is derived from the business's audited annual financial statements; the business's financial statements have been audited in accordance with International Standards on Auditing; for various reasons, it would be impractical to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS

## **Applicable British Columbia Provisions**

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2, 6.3 and 9.1

In the Matter of  
the Securities Legislation of  
British Columbia and Ontario  
(the Jurisdictions)

and

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

and

In the Matter of  
Canadian Zinc Corporation  
(the Filer)

Decision

## 2009 BCSECCOM 484

### **Background**

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) granting relief from the requirement contained in sections 6.2 and 6.3 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) to have annual audited financial statements of the Acquired Company (as defined below), from which summary financial information is derived that must be included in the Filer's BAR (as defined below) in respect of the Acquisition (as defined below) under section 8.6 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), audited in accordance with the prescribed form of auditing standards set out in sections 6.2 and 6.3 of NI 52-107 (the Disclosure Relief).

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

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (b) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

### **Interpretation**

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* 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's head office is located at 650 West Georgia Street, Suite 1710, Vancouver, British Columbia, V6B 4N9;
  - 2. the Filer is a corporation existing under the *Business Corporations Act* (British Columbia) and is a reporting issuer in each of the Jurisdictions;
  - 3. the Filer is engaged in the business of mineral exploration;
  - 4. the common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange;

## 2009 BCSECCOM 484

5. the Filer is not in default of any of its obligations as a reporting issuer under the Legislation of any of the Jurisdictions;
6. as described in a news release dated June 11, 2009, the Filer has acquired (the Acquisition) 20.01% of the outstanding shares of Vatukoula Gold Mines PLC (Vatukoula);
7. Vatukoula is a public company based in the United Kingdom whose shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom;
8. the Acquisition was a “significant acquisition” for the Filer, within the meaning of section 8.3 of NI 51-102, such that the Filer is required to file a “business acquisition report” (BAR) in accordance with section 8.2 of NI 51-102 in respect of the Acquisition by August 24, 2009;
9. under sections 8.4 and 8.6 of NI 51-102, summary financial information (Summary Information) derived from annual audited financial statements of Vatukoula for the period ended August 31, 2008 (Annual Acquisition Statements) is required to be included in the BAR;
10. the Annual Acquisition Statements have been prepared in accordance with International Financial Reporting Standards and audited in accordance with International Standards on Auditing (ISA);
11. sections 6.2 and 6.3 of NI 52-107 do not permit the Filer to prepare the Summary Information based on Annual Acquisition Statements audited in accordance with ISA, as the Filer is not a “foreign issuer” within the meaning of NI 52-107; and
12. the Annual Acquisition Statements were audited in accordance with ISA pursuant to requirements governing publicly-traded companies in the United Kingdom, including the requirements of the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom; the Filer has only acquired 20.01% of the outstanding shares of Vatukoula; Vatukoula is an equity investee of CZN and the Filer will account for the Acquisition using the equity method; since the Filer does not control Vatukoula, the Filer also does not have control over the production of audited financial statements of Vatukoula or auditor's reports relating thereto; having the Annual Acquisition Statements audited a second time in accordance with Canadian GAAS or U.S. GAAS would also cause the Filer to incur substantial additional costs and management time and possibly material or indefinite delay in filing its BAR in respect of the Acquisition.

## **2009 BCSECCOM 484**

### **Decision**

- ¶ 4 Each of the Decision Makers 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 Disclosure Relief is granted, provided that the Annual Acquisition Statements from which the Summary Information is derived are audited in accordance with ISA.

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