

# 2011 BCSECCOM 285

June 7, 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 - an issuer wants relief from the requirement to prepare its financial statements in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook applicable to public enterprises in order to use IFRS before the January 1, 2011 changeover date - the issuer only recently became a reporting issuer; the issuer has not previously prepared financial statements for the public; the issuer's prospectus contains financial statements from the date of incorporation prepared in accordance with IFRS; the issuer has assessed the readiness of its staff, board, audit committee, auditors and investors

## Applicable British Columbia Provisions

National Instrument 52-107, s.9.1 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  
Brazil Resources Inc.  
(the Filer)

Decision

## Background

- ¶1 The principal regulator in the Jurisdiction (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the

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Jurisdiction of 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 (the Exemption Sought), in order that the Filer may prepare its financial statements for periods beginning on or after September 9, 2009, in accordance with Canadian GAAP applicable to publicly accountable enterprises.

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

- (i) the British Columbia Securities Commission is the principal regulator for this application, and
- (ii) 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*, 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 was incorporated in British Columbia in September 2009; its head office is located at Suite 320 - 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3;
  - 2. on April 21, 2011, the Filer completed an initial public offering of common shares in Canada (the Offering);
  - 3. in connection with the Offering, the Filer filed with the securities regulatory authorities in British Columbia and Alberta a preliminary long form prospectus dated February 4, 2011 and a final long form prospectus dated April 21, 2011 (the Prospectus); the Filer obtained receipts for such filings on February 4, 2011 and April 21, 2011;
  - 4. the Filer is a reporting issuer in British Columbia and Alberta; the Filer is not in default of securities legislation in any jurisdiction;
  - 5. the Filer's common shares are listed on the TSX Venture Exchange;

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6. the Filer is a mineral exploration company;
7. the Filer does not have any operating revenue as it is still in the exploration phase;
8. 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 subsection 4.2(1) of 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;
9. 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;
10. the Prospectus contains audited consolidated statements of financial position, consolidated statements of comprehensive loss, consolidated changes in equity and consolidated statements of cash flows of the Filer for the period from incorporation on September 9, 2009 to November 30, 2009 and for the year ended November 30, 2010; these statements contain an explicit and unreserved statement of compliance with IFRS; except for the financial statements contained in the Prospectus, the Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS;
11. the Filer's financial year-end is November 30;
12. the Filer has evaluated its overall readiness to transition to IFRS, including the readiness of its staff, board of directors and audit committee and has concluded that it is adequately prepared for adoption of IFRS effective immediately;
13. the Filer has considered the implications of adopting IFRS on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports and offering documents;

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14. early adoption of IFRS will eliminate the need to plan and perform a conversion from Canadian GAAP – Part V to IFRS;
15. early adoption of IFRS will also eliminate the requirement to provide reconciliations of financial statements prepared under both Canadian GAAP – Part V and IFRS; and
16. for the Filer, because it is in a start-up position, the main areas of accounting focus are exploration, issuance of share capital, stock based compensation and cash, all of which have very few or no significant differences under the two accounting frameworks.

### **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 the Filer prepares its financial statements for financial periods beginning on or after September 9, 2009 in accordance with Canadian GAAP applicable to publicly accountable enterprises.

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