

2010 BCSECCOM 691

December 6, 2010

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 assessed the readiness of its staff, board, audit committee, auditors and investors; the issuer has provided detailed disclosure regarding its early adoption of IFRS as set out in CSA Staff Notice 52-320 in MD&A for its most recent interim period; the issuer will restate and re-file any financial statements prepared in accordance with Canadian GAAP for interim periods for the fiscal year in which they intend to adopt IFRS together with related interim MD&A and certificates required by NI 52-109

Applicable British Columbia Provisions

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, 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
Terra Nova Royalty Corporation
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction 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 requirement in section 3.1 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing*

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Standards and Reporting Currency (NI 52-107) that financial statements be prepared in accordance with Canadian GAAP (the Exemption Sought) in order that the Filer may prepare its financial statements for financial periods beginning on or after January 1, 2010 in accordance with 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 and Québec (the Passport Jurisdictions).

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 is a corporation organized under the laws of the Province of British Columbia; the head office of the Filer is located at Suite 1620, 400 Burrard Street, Vancouver, British Columbia V6C 3A6;
 - 2. the Filer is a reporting issuer in the Jurisdiction and each of the Passport Jurisdictions; the Filer is also a foreign private issuer in the United States;
 - 3. the Filer is not in default of securities legislation of any jurisdiction;
 - 4. the Filer's common shares are listed and posted for trading on the New York Stock Exchange and such shares are not listed on any stock exchange in Canada;
 - 5. the Filer is active in a broad spectrum of activities related to the integrated combination of trading, resources, royalty, financing and proprietary investing;
 - 6. the Filer currently prepares its financial statements in accordance with Canadian GAAP;

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7. the Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS;
8. Mass Financial Corp. (the Target) is an international business company organized under the laws of Barbados; the Target is listed on the Third Market of the Vienna Stock Exchange and is not currently a reporting issuer in Canada or the United States;
9. the Target prepares its financial statements in accordance with IFRS-IASB;
10. the Filer, TTT Acquisition Corp. (Terra Nova Subco), a wholly-owned subsidiary of the Filer, and the Target entered into a Support and Merger Agreement dated September 24, 2010 (the Agreement); under the Agreement, on October 7, 2010, the Filer and Terra Nova Subco made an offer (the Offer) to the shareholders of the Target for all of the outstanding class A common shares of the Target (the Target Shares); if the Filer acquired more than 50% of the outstanding Target Shares under the Offer, the Filer intended to consolidate the Target for accounting purposes;
11. the Offer expired on November 8, 2010; pursuant to the Offer, the Filer completed the acquisition of approximately 93% of the Target Shares, excluding any Target Shares already held by the Filer prior to the Offer, on November 15, 2010;
12. the Filer intends to complete its acquisition of the Target by effecting a compulsory acquisition of the Target Shares not tendered under the Offer;
13. 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;
14. 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, with the exception that an SEC registrant may use US GAAP; under NI 52-107, only foreign issuers may use IFRS-IASB;
15. in Canadian Securities Administrators (CSA) Staff Notice 52-321 *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the CSA 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

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prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so, despite section 3.1 of NI 52-107;

16. subject to obtaining the Exemption Sought, the Filer intends to adopt IFRS-IASB for its financial periods beginning on or after January 1, 2010, with a transition date of January 1, 2009;
17. the Filer believes that the use of a single accounting standard would eliminate complexity and cost from the Filer's financial statement preparation process; since the Target is already reporting under IFRS-IASB, reporting would be streamlined and related costs reduced by developing common reporting systems and consistency for the Filer and Target;
18. the Filer has implemented a comprehensive IFRS-IASB conversion plan;
19. the board of directors of the Filer has approved early adoption of IFRS-IASB;
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 IFRS-IASB for financial periods beginning on or after January 1, 2010 and has concluded that they will be adequately prepared for the Filer's adoption of IFRS-IASB for financial periods beginning on or after January 1, 2010;
21. the Filer has considered the implication of adopting IFRS-IASB for financial periods beginning on or 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
22. the Filer has disclosed in its management's discussion and analysis for the interim period ended September 30, 2010 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 the Filer's changeover plan;
 - (b) the accounting policy and implementation decisions the Filer has made or will have to make;

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- (c) the exemptions available under IFRS 1 *First-time Adoption of International Financial Report Standards* (IFRS 1) that the Filer expects to apply in preparing financial statements in accordance with IFRS-IASB;
- (d) major identified differences between the Filer's current accounting policies and those the Filer is required or expects to apply in preparing financial statements in accordance with IFRS-IASB; and
- (e) the impact of adopting IFRS-IASB on the key line items 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 of 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 financial statements for years beginning on or after January 1, 2010 in accordance with IFRS-IASB;
- (b) 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; and
- (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 for one or more interim periods in the financial year that the Filer adopts IFRS-IASB, the Filer will restate and re-file those interim financial statements originally prepared in accordance with Canadian GAAP in accordance with IFRS-IASB together with the related restated management's discussion and analysis and the certificates required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Andrew S. Richardson, CA
Acting Director, Corporate Finance
British Columbia Securities Commission