

# 2009 BCSECCOM 157

March 2, 2009

## 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 will provide detailed disclosure regarding its early adoption of IFRS as set out in CSA Staff Notice 52-320 in a news release or in restated and re-filed MD&A for its most recent interim period to be disseminated or re-filed within seven days of the decision; the issuer will restate any financial statements prepared in accordance with Canadian GAAP for interim periods for the fiscal year in which they intend to adopt IFRS

## Applicable British Columbia Provisions

National Instrument 52-107, s. 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  
Northern Dynasty Minerals Ltd.  
(the Filer)

## Decision

## Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting the Filer from the requirement in section 3.1 of National Instrument 52-107 *Acceptable*

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*Accounting Principles, Auditing 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, 2009 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 dual 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), and
- (c) 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* 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 *Business Corporations Act* (British Columbia);
  - 2. the registered office of the Filer is located at Suite 1020 – 800 West Pender Street, Vancouver, British Columbia V6C 2V6;
  - 3. the Filer is a reporting issuer in the Jurisdictions and the Passport Jurisdiction. The Filer is also a foreign private issuer in the United States;
  - 4. the Filer is not in default of its reporting issuer obligations under the Legislation or the legislation of the Passport Jurisdiction;
  - 5. the Filer's securities are listed on the Toronto Stock Exchange and the American Stock Exchange;

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6. the Filer is a mineral exploration company whose major asset is a 50% share of the Pebble Copper-Gold-Molybdenum Project in Alaska;
7. the Filer's Alaska mineral resource exploration business is operated through an Alaska registered limited partnership, the Pebble Partnership, in which the Filer owns a 50% interest through a 100% owned Alaskan affiliate, the Northern Dynasty Partnership;
8. the Filer prepares its financial statements in accordance with Canadian GAAP; however, its partner in the Pebble Partnership, which is accounted for as a variable interest entity under Canadian GAAP, prepares its financial statements in accordance with IFRS; in addition, the Filer is required to reconcile its financial statements into generally accepted accounting principles in the United States ("US GAAP") to comply with its American filing obligations;
9. the Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS;
10. the Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to prepare their financial statements in accordance with IFRS-IASB for financial statements relating to fiscal years beginning on or after January 1, 2011;
11. 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;
12. 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 3.1 of NI 52-107;
13. 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, 2009;

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14. the Filer believes that the adoption of IFRS-IASB will avoid potential confusion for the users of its financial statements because the reporting requirements of 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;
15. the Filer has implemented a comprehensive IFRS-IASB conversion plan;
16. the board of directors of the Filer approved early adoption of IFRS-IASB on December 2, 2008;
17. 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, 2009 and has concluded that they will be adequately prepared for the Filer's adoption of IFRS-IASB for periods beginning on January 1, 2009;
18. the Filer has considered the implications of adopting IFRS-IASB for financial periods beginning on or after January 1, 2009 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;
19. the Filer will restate and re-file its management's discussion and analysis for the interim period ended September 30, 2008 (Q3 MD&A) not more than seven days after the date of this decision to provide 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;
  - (c) the exemptions available under IFRS 1 *First-time Adoption of International Financial Reporting 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;

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- (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, 2008;
- 20. the Filer will disseminate a news release announcing that it has restated and re-filed its Q3 MD&A
- 21. the Filer will update the information set out in its Q3 MD&A in its annual management's discussion and analysis including, to the extent known, quantitative information regarding the impact of adopting IFRS-IASB on key line items in the Filer's annual financial statements for the year ending December 31, 2008.

### **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 Exemption Sought is granted provided that:

- (a) the Filer prepares its annual financial statements for years beginning on or after January 1, 2009 in accordance with IFRS-IASB;
- (b) the Filer prepares its interim financial statements for interim periods beginning on or after January 1, 2009 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 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 upon the Filer's adoption of IFRS-IASB; and
- (c) the Filer provides the communication set out in paragraphs 19, 20 and 21.

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