

2008 BCSECCOM 286

April 9, 2008

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2 and 9.1 – auditing requirements for acquisition statements - An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS – The issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business’ 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; the audit report will be accompanied by a statement by the auditor that describes any material differences in the form of report as compared to a Canadian GAAS audit report, and that indicates that the auditor report would not contain a reservation if it were prepared in accordance with Canadian GAAS

Applicable British Columbia Provisions

National Instrument 52-107, ss. 6.2 and 9.1

National Instrument 51-102, Part 8

In the Matter of
the Securities Legislation of
Ontario, British Columbia and Alberta (the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
BRC DiamondCore Ltd. (the “Filer”)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions 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 section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing*

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Standards and Reporting Currency (“NI 52-107”) to have annual financial statements of the Acquired Company (as defined below), which must be included in the Filer's BAR (as defined below) in respect of the Acquisition (as defined below) pursuant to section 8.4 of National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”), audited in accordance with the prescribed form of auditing standards set out in section 6.2 of NI 52-107 (the “Requested Relief”).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (the “MRRS”):
 - 2.1 the Ontario Securities Commission is the principal regulator for this application; and
 - 2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

3. Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

4. This decision is based on the following facts represented by the Filer:
 - 4.1 The Filer's head office is located at Suite 7070, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E3.
 - 4.2 The Filer is a corporation subsisting under the *Canada Business Corporations Act* and is a reporting issuer in each of the Jurisdictions.
 - 4.3 The Filer is engaged in the business of diamond exploration in the Democratic Republic of the Congo and in South Africa.
 - 4.4 The common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange and the JSE Limited in Johannesburg, South Africa.
 - 4.5 The Filer is not in default of any of its obligations as a reporting issuer under the Legislation of any of the Jurisdictions.
 - 4.6 As described in a press release dated July 5, 2007 and a material change report dated July 13, 2007, the Filer entered into an agreement for the purpose of acquiring (the “Acquisition”) all of the outstanding

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shares of Diamond Core Resources Limited (the “Acquired Company”). As disclosed in a press release dated February 11, 2008, the Acquisition was completed on February 11, 2008. In connection with the Acquisition, the name of the Filer was changed from BRC Diamond Corporation to BRC DiamondCore Ltd.

- 4.7 Prior to the Acquisition, the Acquired Company was a public company based in South Africa whose shares traded on the JSE Limited in Johannesburg, South Africa.
- 4.8 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.
- 4.9 Pursuant to section 8.4 of NI 51-102, audited annual financial statements of the Acquired Company for the period ended June 30, 2007 (“Annual Acquisition Statements”) are required to be included in the BAR.
- 4.10 The Annual Acquisition Statements have been prepared in accordance with International Financial Reporting Standards and audited in accordance with International Standards on Auditing (“ISA”).
- 4.11 The auditor of the Acquired Company has expertise and experience in ISA. The auditor of the Acquired Company uses a standard audit methodology that complies with ISA.
- 4.12 The auditor of the Acquired Company is a member of the Baker Tilly International network of accounting firms worldwide. The auditor of the Acquired Company is able to make the statements set out in paragraph 6.2 of this decision as a result of consultations with the auditor's Canadian associate firm in the Baker Tilly International network.
- 4.13 Section 6.2 of NI 52-107 does not permit the Filer to file the Annual Acquisition Statements audited in accordance with ISA as the Filer is not a “foreign issuer” within the meaning of NI 52-107.
- 4.14 The Annual Acquisition Statements were audited in accordance with ISA pursuant to requirements governing publicly-traded companies in South Africa, including the requirements of the JSE Limited. Having the Annual Acquisition Statements audited a second time in

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accordance with Canadian or U.S. GAAS would cause the Filer to incur substantial additional costs and management time and possibly material delay in filing its BAR in respect of the Acquisition.

Decision

5. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the decision has been met.
6. The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted, provided that:
 - 6.1 the Annual Acquisition Statements are audited in accordance with ISA; and
 - 6.2 the Annual Acquisition Statements are accompanied by an auditor's report from the auditor of the Acquired Company, which contains or is accompanied by a statement by the auditor that:
 - (a) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (b) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

Cameron McInnis
Manager, Corporate Finance
Ontario Securities Commission