

2010 BCSECCOM 85

February 2, 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* - 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 indicates that its report would not contain a reservation if it were prepared in accordance with Canadian GAAS

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 and Ontario
(the Jurisdictions)

and

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

and

In the Matter of
Uranium One Inc.
(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

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the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempted from complying with the requirement in section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) that financial statements of an acquired company that are included in a business acquisition report filed under section 8.2 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) must be audited in accordance with Canadian GAAS or United States generally accepted auditing standards (U.S. GAAS) with respect to certain financial statements of Karatau (as defined below) (the Exemption Sought).

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;
- (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, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island; 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 as is 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 company continued under the laws of Canada; the Filer's head office is located at 1285 West Pender Street, Suite 900, Vancouver, British Columbia, V6E 4B1;
 2. the Filer is engaged, through its subsidiaries and joint ventures, in the mining and production of uranium and in the acquisition, exploration and development of uranium properties; the Filer's principal projects are certain uranium mines and uranium development projects in Kazakhstan; the Filer also owns uranium projects and various exploration properties in the United States, South Africa, Australia and Kazakhstan;

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3. the Filer is a reporting issuer in each of the provinces of Canada, and is not in default of securities legislation in any jurisdiction;
4. the Filer's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol "UUU"; certain convertible debentures of the Filer are also listed on the TSX under the symbol "UUU.DB";
5. the financial statements of the Filer are prepared in accordance with Canadian GAAP and the annual financial statements of the Filer are audited in accordance with Canadian GAAS;
6. the Filer, its wholly-owned subsidiary Uranium One Netherlands B.V. (U1 Netherlands) and Effective Energy N.V. (Effective Energy) entered into an agreement under which the Filer agreed to acquire (the Acquisition), through U1 Netherlands, Effective Energy's 50% participatory interest in the Karatau Limited Liability Partnership (Karatau);
7. Karatau is a limited liability partnership formed under the laws of the Republic of Kazakhstan; the remaining 50% participatory interest in Karatau is owned by National Atomic Company Kazatomprom (Kazatomprom), a joint-stock company owned by the Government of Kazakhstan;
8. Karatau owns and operates the Karatau Uranium Mine in Kazakhstan;
9. Karatau's auditor is KPMG Audit LLC, an affiliate of KPMG International, in Kazakhstan;
10. the Acquisition was completed on December 14, 2009 and the Filer became, through U1 Netherlands, the beneficial holder of a 50% participatory interest in the Karatau;
11. the Acquisition was a "significant acquisition" for the Filer, within the meaning of section 8.3 of NI 51-102, for which the Filer is required to file a business acquisition report (BAR) in accordance with section 8.2 of NI 51-102;
12. the financial statements of Karatau have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the annual financial statements of Karatau have been audited in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB);

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13. under section 8.4 of NI 51-102, certain historical audited annual financial statements and unaudited interim financial statements of Karatau are required to be included in the BAR;
14. the Filer intends to include the following financial statements of Karatau in the BAR:
 - (a) audited annual consolidated financial statements of Karatau and the notes thereto as at and for the financial year ended December 31, 2008, with unaudited comparative annual consolidated financial information as at and for the year ended December 31, 2007, together with the auditor's report thereon (the Audited Financial Statements); and
 - (b) unaudited interim consolidated financial statements of Karatau and the notes thereto as at and for the nine months ended September 30, 2009 and 2008;
15. the Audited Financial Statements have been prepared in accordance with IFRS issued by the IASB and audited in accordance with ISA issued by the IAASB; the audit report for the financial year ended December 31, 2008 expressed an unqualified opinion;
16. the Audited Financial Statements, when included in the BAR, will include a note reconciling the financial statements to Canadian GAAP prepared in accordance with the requirements of section 6.1 of NI 52-107;
17. section 6.2(1) of NI 52-107 requires the Audited Financial Statements to be audited in accordance with Canadian GAAS or U.S. GAAS;
18. section 6.2(2) of NI 52-107 does not permit the Filer to file the Audited Financial Statements audited in accordance with ISA, as the Filer is not a "foreign issuer" within the meaning of NI 52-107;
19. the auditor of Karatau has represented to the Filer that it has expertise and experience in ISAs issued by the IAASB; the auditor of Karatau is able to make the statements set out in paragraph (b) of this decision as a result of consultations with the member firm of KPMG International in Canada;
20. the Filer will include in the BAR clear disclosure as to the basis of presentation of the Audited Financial Statements and that they have been audited in accordance with ISA issued by the IAASB.

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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 Audited Financial Statements are audited in accordance with ISA issued by the IAASB; and
- (b) the auditor's report accompanying the Audited Financial Statements contains or is accompanied by a statement by the auditor that:
 - (i) describes any material differences in the form and content of the auditor's report prepared in accordance with ISAs as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

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