

NATIONAL INSTRUMENT 52-107
ACCEPTABLE ACCOUNTING PRINCIPLES, AUDITING STANDARDS AND
REPORTING CURRENCY

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**NATIONAL INSTRUMENT 52-107
ACCEPTABLE ACCOUNTING PRINCIPLES,
AUDITING STANDARDS AND REPORTING CURRENCY**

**PART 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions – In this Instrument:

“accounting principles” mean a body of accounting principles that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAP, U.S. GAAP and International Financial Reporting Standards;

“acquisition statements” means the financial statements of an acquired business or a business to be acquired, or operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are required to be filed under National Instrument 51-102 or that are included in a prospectus;

“auditing standards” mean a body of auditing standards that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAS, U.S. GAAS and International Standards on Auditing;

“business acquisition report” means a completed Form 51-102F4 *Business Acquisition Report*;

“convertible security” means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

“credit support issuer” means an issuer of securities for which a credit supporter has provided a guarantee;

“credit supporter” means a person or company that provides a guarantee for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

“designated foreign issuer” means a foreign issuer

- (a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act,
- (b) that is subject to foreign disclosure requirements, and

- (c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

“designated foreign jurisdiction” means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

“exchangeable security” means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

“exchange-traded security” means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

“executive officer” with respect to a person or company means an individual who is

- (a) a chair of the person or company,
- (b) a vice-chair of the person or company,
- (c) the president of the person or company,
- (d) a vice-president of the person or company in charge of a principal business unit, division or function including sales, finance or production,
- (e) an officer of the person or company or any of its subsidiaries who performed a policy-making function in respect of the person or company, or
- (f) any other individual who performed a policy-making function in respect of the person or company;

“foreign disclosure requirements” means the requirements to which a foreign issuer is subject concerning disclosure made to the public, to securityholders of the issuer, or to a foreign regulatory authority

- (a) relating to the foreign issuer and the trading in its securities, and
- (b) that is made publicly available in the foreign jurisdiction under
 - (i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or

- (ii) the rules of the marketplace that is the principal trading market of the foreign issuer;

“foreign issuer” means an issuer, other than an investment fund, that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the issuer carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the issuer are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the issuer are located in Canada; or
 - (iii) the business of the issuer is administered principally in Canada;

“foreign registrant” means a registrant that is incorporated or organized under the laws of a foreign jurisdiction, except a registrant that satisfies the following conditions:

- (a) outstanding voting securities of the registrant carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada; and
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the registrant are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the registrant are located in Canada; or
 - (iii) the business of the registrant is administered principally in Canada;

“foreign regulatory authority” means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

“inter-dealer bond broker” means a person or company that is approved by the Investment Dealers Association under IDA By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to IDA By-Law No. 36 and IDA Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“investment fund” means a mutual fund or a non-redeemable investment fund;

“issuer’s GAAP” means the accounting principles used to prepare an issuer’s financial statements, as permitted by this Instrument;

“marketplace” means

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
 - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (ii) brings together the orders for securities of multiple buyers and sellers, and
 - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

“multiple convertible security” means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“National Instrument 71-102” means National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

“non-redeemable investment fund” means any issuer

- (a) where contributions of security holders are pooled for investment,
- (b) where security holders do not have day-to-day control over the management and investment decisions of the issuer, whether or not they have the right to be consulted or to give directions, and

- (c) whose securities do not entitle the security holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the issuer;

“principal trading market” means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer's most recently completed financial year that ended before the date the determination is being made;

“public enterprise” means a public enterprise determined with reference to the Handbook;

“published market” means, for a class of securities, a marketplace on which the securities have traded that discloses, regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means, the prices at which those securities have traded;

“recognized exchange” means

- (a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange, and
- (b) in every other jurisdiction of Canada, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

“recognized quotation and trade reporting system” means

- (a) in every jurisdiction of Canada other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and
- (b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

“SEC issuer” means an issuer that

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act* of 1940 of the United States of America, as amended;

“SEC foreign issuer” means a foreign issuer that is also an SEC issuer;

“underlying security” means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X and Regulation S-B under the 1934 Act; and

“U.S. GAAS” means generally accepted auditing standards in the United States of America, as supplemented by the SEC’s rules on auditor independence.

1.2 Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer –

- (1) For the purposes of paragraph (c) of the definition of “designated foreign issuer” and paragraph 5.1(c), a reference to equity securities owned, directly or indirectly, by residents of Canada, includes
 - (a) the underlying securities that are equity securities of the foreign issuer; and
 - (b) the equity securities of the foreign issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the foreign issuer.
- (2) For the purposes of paragraph (a) of the definition of “foreign issuer”, securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the foreign issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer’s outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant– For the purposes of paragraph (c) of the definition of "designated foreign issuer" , paragraph (a) of the definition of " foreign issuer" and paragraph (a) of the definition of “foreign registrant”, the calculation is made

- (a) if the issuer has not completed one financial year, on the earlier of
 - (i) the date that is 90 days before the date of its prospectus, and
 - (ii) the date that it became a reporting issuer; and

- (b) for all other issuers and for registrants, on the first day of the most recent financial year or year-to-date interim period for which operating results are presented in the financial statements filed or included in the issuer's prospectus.

1.4 Interpretation

- (1) **Interpretation of “prospectus”** – For the purposes of this Instrument, a reference to “prospectus” includes a preliminary prospectus, a prospectus, an amendment to a preliminary prospectus and an amendment to a prospectus.
- (2) **Interpretation of “included”** – For the purposes of this Instrument, a reference to information being “included in” another document means information reproduced in the document or incorporated into the document by reference.

PART 2 APPLICATION

2.1 Application –

- (1) This Instrument does not apply to investment funds.
- (2) This Instrument applies to
 - (a) all annual and interim financial statements delivered by registrants to the securities regulatory authority,
 - (b) all annual, interim and *pro forma* financial statements filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
 - (c) all annual, interim and *pro forma* financial statements included in a prospectus or a take-overbid circular filed, or included in a document that is filed,
 - (d) any operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are filed under National Instrument 51-102 or that are included in a prospectus or a take-over bid circular filed, or included in a document that is filed,
 - (e) any other annual, interim or *pro forma* financial statement filed by a reporting issuer, and

- (f) financial information that is filed under National Instrument 51-102 or that is included in a prospectus or a take-over bid circular filed, or included in a document that is filed, that is
 - (i) derived from a credit support issuer's consolidated financial statements, or
 - (ii) summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method.

PART 3 GENERAL RULES

3.1 Acceptable Accounting Principles –

- (1) Financial statements, other than acquisition statements, must be prepared in accordance with Canadian GAAP as applicable to public enterprises.
- (2) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (3) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.2 Acceptable Auditing Standards –Financial statements, other than acquisition statements, that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that

- (a) does not contain a reservation;
- (b) identifies all financial periods presented for which the auditor has issued an auditor's report;
- (c) refers to the former auditor's reports on the comparative periods, if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a different auditor; and
- (d) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

3.3 Acceptable Auditors –

An auditor's report filed by an issuer or registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.4 Measurement and Reporting Currencies –

- (1) The reporting currency must be disclosed on the face page of the financial statements or in the notes to the financial statements unless the financial statements are prepared in accordance with Canadian GAAP and the reporting currency is the Canadian dollar.
- (2) The notes to the financial statements must disclose the measurement currency if it is different than the reporting currency.

3.5 Financial Information Derived from a Credit Support Issuer's Consolidated Financial Statements –

If a credit support issuer files, or includes in a prospectus, financial information derived from the credit support issuer's consolidated financial statements,

- (a) the credit support issuer's consolidated financial statements must be prepared in accordance with Canadian GAAP as applicable to public enterprises for all periods presented in the financial statements and in the case of annual audited consolidated financial statements,
 - (i) be audited in accordance with Canadian GAAS and
 - (ii) be accompanied by an auditor's report that
 - (A) does not contain a reservation, and
 - (B) is prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction;
- (b) the financial information must disclose that the credit support issuer's consolidated financial statements from which the financial information is derived were prepared in accordance with Canadian GAAP as applicable to public enterprises; and
- (c) the financial information must disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.

PART 4
EXEMPTIONS FOR SEC ISSUERS

4.1 Acceptable Accounting Principles for SEC Issuers –

- (1) Despite subsections 3.1(1) and 3.1(2), financial statements filed by an SEC issuer, other than acquisition statements, may be prepared in accordance with U.S. GAAP provided that, if the SEC issuer previously filed or included in a prospectus financial statements prepared in accordance with Canadian GAAP, the SEC issuer complies with the following:
- (a) the notes to the first two sets of the issuer's annual financial statements after the change from Canadian GAAP to U.S. GAAP and the notes to the issuer's interim financial statements for interim periods during those two years
 - (i) explain the material differences between Canadian GAAP as applicable to public enterprises and U.S. GAAP that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP as applicable to public enterprises and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP as applicable to public enterprises; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP as applicable to public enterprises to the extent not already reflected in the financial statements;
 - (b) financial information for any comparative periods that were previously reported in accordance with Canadian GAAP are presented as follows:
 - (i) as previously reported in accordance with Canadian GAAP;
 - (ii) as restated and presented in accordance with U.S. GAAP; and
 - (iii) supported by an accompanying note that
 - (A) explains the material differences between Canadian GAAP and U.S. GAAP that relate to recognition, measurement and presentation; and

- (B) quantifies the effect of material differences between Canadian GAAP and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements in accordance with Canadian GAAP and net income as restated and presented in accordance with U.S. GAAP; and
 - (c) if the SEC issuer has filed financial statements prepared in accordance with Canadian GAAP for one or more interim periods of the current year, those interim financial statements are restated in accordance with U.S. GAAP and comply with paragraphs (a) and (b).
- (2) The comparative information specified in subparagraph 4.1(1)(b)(i) may be presented on the face of the balance sheet and statements of income and cash flow or in the note to the financial statements required by subparagraph 4.1(1)(b)(iii).

4.2 Acceptable Auditing Standards for SEC Issuers – Despite section 3.2, financial statements filed by an SEC issuer, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with US GAAS if the financial statements are accompanied by an auditor’s report prepared in accordance with U.S. GAAS that

- (a) contains an unqualified opinion;
- (b) identifies all financial periods presented for which the auditor has issued an auditor's report;
- (c) refers to the former auditor’s reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a different auditor; and
- (d) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

PART 5 EXEMPTIONS FOR FOREIGN ISSUERS

5.1 Acceptable Accounting Principles for Foreign Issuers – Despite subsection 3.1(1), financial statements filed by a foreign issuer, other than acquisition statements, may be prepared in accordance with

- (a) U.S. GAAP, if the issuer is an SEC foreign issuer;

- (b) International Financial Reporting Standards;
- (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer; and
 - (ii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer; or
- (e) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
 - (i) explain the material differences between Canadian GAAP applicable to public enterprises and the accounting principles used that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP applicable to public enterprises and the accounting principles used that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP applicable to public enterprises; and
 - (iii) provide disclosure consistent with Canadian GAAP applicable to public enterprises requirements to the extent not already reflected in the financial statements.

5.2 Acceptable Auditing Standards for Foreign Issuers – Despite section 3.2, financial statements filed by a foreign issuer, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with

- (a) U.S. GAAS if the auditor's report contains an unqualified opinion;

- (b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) 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
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer,

if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

PART 6

REQUIREMENTS FOR ACQUISITION STATEMENTS

6.1 Acceptable Accounting Principles for Acquisition Statements –

- (1) Acquisition statements included in a business acquisition report or included in a prospectus must be prepared in accordance with any of the following accounting principles:
 - (a) Canadian GAAP applicable to public enterprises;
 - (b) U.S. GAAP;
 - (c) International Financial Reporting Standards;
 - (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer or the acquired business is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and

- (ii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
 - (e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business is subject, if the issuer or the acquired business is a designated foreign issuer; or
 - (f) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements.
- (2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
- (3) The notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
- (4) If acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
- (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
 - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with the issuer's GAAP; and
 - (c) provide disclosure consistent with the issuer's GAAP to the extent not already reflected in the acquisition statements.
- (5) Despite subsections (1) and (4), if the issuer is required to reconcile its financial statements to Canadian GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be
- (a) prepared in accordance with Canadian GAAP applicable to public enterprises; or

- (b) reconciled to Canadian GAAP applicable to public enterprises and the notes to the acquisition statements must
 - (i) explain the material differences between Canadian GAAP applicable to public enterprises and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP applicable to public enterprises and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with Canadian GAAP applicable to public enterprises; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP applicable to public enterprises to the extent not already reflected in the acquisition statements.

6.2 Acceptable Auditing Standards for Acquisition Statements –

- (1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with
 - (a) Canadian GAAS; or
 - (b) U.S. GAAS.
- (2) Despite subsection (1), acquisition statements filed by or included in a prospectus of a foreign issuer may be audited in accordance with
 - (a) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) 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
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
 - (b) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

- (3) Acquisition statements must be accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the acquisition statements and the auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (4) If acquisition statements are audited in accordance with paragraph (1)(a), the auditor's report must not contain a reservation.
- (5) If acquisition statements are audited in accordance with paragraph (1)(b), the auditor's report must contain an unqualified opinion.
- (6) Despite paragraph (2)(a) and subsections (4) and (5) an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory if
 - (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a balance sheet for the business that is for a date that is subsequent to the date to which the qualification relates; and
 - (b) the balance sheet referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

6.3 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method –

- (1) If an issuer files, or includes in a prospectus, summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must
 - (a) meet the requirements in section 6.1 if the term "acquisition statements" in that section is read as "summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method," and
 - (b) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.
- (2) If the financial information referred to in subsection (1) is for any completed financial year, the financial information must
 - (a) either

- (i) meet the requirements in section 6.2 if the term “acquisition statements” in that section is read as “summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is; or will be, an investment accounted for by the issuer using the equity method,” or
 - (ii) be derived from financial statements that meet the requirements in section 6.2 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method”; and
- (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

PART 7
PRO FORMA FINANCIAL STATEMENTS

7.1 Acceptable Accounting Principles for *Pro Forma* Financial Statements –

- (1) *Pro forma* financial statements must be prepared in accordance with the issuer’s GAAP.
- (2) Despite subsection (1), if an issuer’s financial statements have been reconciled to Canadian GAAP under subsection 4.1(1) or paragraph 5.1(e), the issuer’s *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP applicable to public enterprises.
- (3) Despite subsection (1), if an issuer’s financial statements have been prepared in accordance with the accounting principles referred to in paragraph 5.1(c) and those financial statements are reconciled to U.S. GAAP, the *pro forma* financial statements may be prepared in accordance with, or reconciled to, U.S. GAAP.

PART 8
EXEMPTIONS FOR FOREIGN REGISTRANTS

8.1 Acceptable Accounting Principles for Foreign Registrants – Despite subsection 3.1(1), financial statements delivered by a foreign registrant may be prepared in accordance with

- (a) U.S. GAAP;
- (b) International Financial Reporting Standards;
- (c) accounting principles that meet the disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction; or
- (d) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
 - (i) explain the material differences between Canadian GAAP as applicable to public enterprises and the accounting principles used that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP as applicable to public enterprises and the accounting principles used that relate to recognition, measurement, and presentation; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP as applicable to public enterprises to the extent not already reflected in the financial statements.

8.2 Acceptable Auditing Standards for Foreign Registrants –Despite section 3.2, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may be audited in accordance with

- (a) U.S. GAAS if the auditor’s report contains an unqualified opinion;
- (b) International Standards on Auditing, if the auditor’s report is accompanied by a statement by the auditor that
 - (i) 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
 - (ii) indicates that an auditor’s report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if it is a

foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction,

if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

PART 9 EXEMPTIONS

9.1 Exemptions –

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

9.2 Certain Exemptions Evidenced by Receipt –

- (1) Subject to subsections (2) and (3), without limiting the manner in which an exemption may be evidenced, an exemption from this Instrument as it pertains to financial statements or auditor's reports included in a prospectus, may be evidenced by the issuance of a receipt for the prospectus or an amendment to the prospectus.
- (2) A person or company must not rely on a receipt as evidence of an exemption unless the person or company
 - (a) sent to the regulator or securities regulatory authority, on or before the date the preliminary prospectus or the amendment to the preliminary prospectus or prospectus was filed, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; or
 - (b) sent to the regulator or securities regulatory authority the letter or memorandum referred to in paragraph (a) after the date of the preliminary prospectus or the amendment to the preliminary prospectus or prospectus has been filed and receives a written acknowledgement from the securities regulatory authority or

regulator that issuance of the receipt is evidence that the exemption is granted.

- (3) A person or company must not rely on a receipt as evidence of an exemption if the regulator or securities regulatory authority has before, or concurrently with, the issuance of the receipt for the prospectus, sent notice to the person or company that the issuance of a receipt does not evidence the granting of the exemption.
- (4) For the purpose of this section, a reference to a prospectus does not include a preliminary prospectus.

PART 10
EFFECTIVE DATE

10.1 Effective Date – This Instrument comes into force on March 30, 2004.