

March 16 , 2011

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA AND ONTARIO
(the Jurisdictions)**

AND

**IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS**

AND

**IN THE MATTER OF
CANGENE CORPORATION
(the Filer)**

DECISION

Background

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 requirements of Part 4 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument) (the Exemption Sought) including the requirement that financial statements be prepared in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) applicable to public enterprises (Old Canadian GAAP), in order that the Filer may prepare financial statements for periods relating to financial years beginning on or after August 1, 2010 in accordance with generally accepted accounting principles determined with reference to Part I of the Handbook applicable to publicly accountable enterprises, that is 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 Manitoba 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 British

Columbia, Alberta, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the Passport Jurisdictions), 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

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

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Ontario) pursuant to articles of incorporation dated February 22, 1984. The address of its head office is 155 Innovation Drive, Winnipeg, Manitoba and the address of its registered office is 180 Attwell Drive, Suite 360, Toronto, Ontario.
2. The Filer is a reporting issuer or equivalent in the Jurisdictions and each of the Passport Jurisdictions. The Filer is not in default of its reporting issuer obligations under the Legislation or the securities legislation of the Passport Jurisdictions.
3. The Filer is a biopharmaceutical company in the business of developing, manufacturing, and commercializing products and technologies for global markets. Revenues of \$158.9 million in fiscal 2010 were generated by product sales, contract manufacturing, contract research and development, and royalties.
4. The Filer's common shares are listed on the Toronto Stock Exchange under the symbol "CNJ".
5. The Filer currently prepares its financial statements in accordance with Old Canadian GAAP.
6. The Filer's fiscal year end is July 31.
7. 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 interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.
8. The Filer has not previously prepared financial statements that contain an explicit and unreserved statement of compliance with IFRS-IASB.

9. Part 4 of the Instrument sets out acceptable accounting principles for financial reporting under the Legislation for periods relating to financial years beginning before January 1, 2011 by domestic issuers, foreign issuers, registrants and other market participants. Under the Instrument, a registrant must use Old Canadian GAAP for periods relating to financial years beginning before January 1, 2011 with the exception that a registrant with the United States Securities and Exchange Commission may use US GAAP and foreign issuers may use IFRS-IASB. The Filer is not a "SEC issuer" nor a "foreign issuer" for the purposes of the Instrument.

10. 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 the requirements of the Instrument.

11. The Filer has carefully assessed the readiness of its staff, Board, audit committee, auditors, investors and other market participants for the adoption by the Filer of IFRS-IASB for financial periods beginning on or after August 1, 2010 and has concluded that all parties will be adequately prepared for the Filer's adoption of IFRS-IASB for periods beginning on or after August 1, 2010.

12. The Filer wishes to early adopt IFRS-IASB as the Filer believes that this will reduce the anticipated future complexity of the Filer's financial reporting. Specifically, the Filer believes that early adoption of IFRS-IASB provides additional flexibility with respect to potential U.S. reporting requirements, will simplify financial reporting in the event of international expansion and will be viewed favourably by the Filer's investors as a number of the Filer's competitors currently report under IFRS-IASB.

13. The Filer has considered the implications of adopting IFRS-IASB 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.

14. Subject to obtaining the Exemption Sought, the Filer intends to adopt IFRS-IASB for its financial statements for periods beginning on and after August 1, 2010.

15. The Filer has communicated its intention to early adopt IFRS-IASB with its external auditors, Ernst & Young LLP (EY); EY has significant experience with companies that have already transitioned to IFRS-IASB or have been reporting under IFRS-IASB.

16. The Filer will communicate its IFRS-IASB implementation plans to investors as contemplated by CSA Staff Notice 52-320 -- *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* by disclosing relevant information about its changeover to IFRS-IASB in a news release not more than one business day after the date of the decision approving such early adoption application, 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 its financial statements in accordance with IFRS-IASB; and
- (e) the impact of adopting IFRS-IASB on the key line items in the Filer's opening August 1, 2009 balance sheet and each of the Filer's interim financial statements for the subsequent periods up to and including October 31, 2010.

Decision

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 restates and refiles its interim financial statements that were originally prepared in accordance with Old Canadian GAAP for all financial periods beginning on or after August 1, 2010 in accordance with IFRS-IASB, together with the restated interim management's discussion and analysis as well as the certificates required by National Instrument 52-109 -- *Certification of Disclosure in Issuer's Annual and Interim Filings* (NI 52-109)(collectively, the Restated and Refiled Interim Filings);
- (b) the Filer ensures that its first IFRS-IASB financial statements for an interim period beginning on or after August 1, 2010 present all financial statements with equal prominence, including the opening statement of financial position at the date of transition to IFRS-IASB;

(c) the Filer provides the communication set out in paragraph 16; and

(d) the Restated and Refiled Interim Filings and the Filer's interim and annual financial statements, related annual management's discussion and analysis and the certificates required by NI 52-109 for the year ended July 31, 2011:

(i) are prepared in accordance with IFRS-IASB;

(ii) comply with Part 3 of the Instrument that came into force on January 1, 2011;

(iii) comply with the IFRS-related amendments to National Instrument 51-102 *Continuous Disclosure Obligations* that came into force on January 1, 2011;

(iv) comply with the IFRS-related amendments to NI 52-109 that came into force on January 1, 2011; and

(v) comply with the IFRS-related amendments to National Instrument 52-110 *Audit Committees* that came into force January 1, 2011.

"R.B. Bouchard"

Director

Manitoba Securities Commission