

## 2005 BCSECCOM 23

December 22, 2004

### **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - An issuer wants relief from the requirement that a transition year not exceed 15 months - The issuer has had no operations and no material changes during the period that would comprise the transition year, if the relief was not granted and the transition year complied with NI 51-102 Continuous Disclosure Obligations; the issuer will file the audited financial statements for the transition year by the deadline that would apply if the transition year were 15 months

### **Applicable British Columbia Provisions**

National Instrument 51-102 *Continuous Disclosure Obligations*, ss. 4.8 and 13.1

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

and

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

and

In the Matter of  
Silk Road Resources Ltd.  
(the “Filer”)

### MRRS Decision Document

### **Background**

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”) for relief from the requirement that the transition year arising from a notice of change in year end shall not exceed 15 months.

Under the Mutual Reliance Review System for Exemptive Relief Applications (the “MRRS”):

## 2005 BCSECCOM 23

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker

### **Interpretation**

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

### **Representations**

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

1. The Filer was originally incorporated under the name Pargas Enterprises Ltd. pursuant to the *Business Corporations Act* (Alberta) in 1999 and was continued under the *Canada Business Corporations Act* in 2003.
2. The Filer's head office is located in Toronto, Ontario.
3. The authorized capital of the Filer consists of an unlimited number of common shares ("Common Shares") without nominal or par value and an unlimited number of first, second and third preferred shares issuable in series. As of the date hereof, 18,835,000 Common Shares are issued and outstanding. There are no preferred shares issued and outstanding.
4. The Filer completed an initial public offering of its Common Shares as a junior capital pool company on August 13, 1999 and commenced trading on the TSX Venture Exchange (the "Exchange") on September 13, 1999. In August 2000, the Filer completed its "qualifying transaction" under the rules of the Exchange.
5. On February 12, 2004, the Filer filed a prospectus (the "Prospectus") qualifying the distribution of 10,500,000 Common Shares, 1,500,000 series "A" common share purchase warrants and 4,500,000 series "B" common share purchase warrants.
6. Prior to the filing of the Prospectus, the Filer was a reporting issuer in the Province of Alberta. As a result of the filing of the Prospectus, the Filer became a reporting issuer or its equivalent in each of the Jurisdictions.
7. The Filer is a "venture issuer" as defined in National Instrument 51-102, *Continuous Disclosure Obligations*. The Common Shares of the Filer are

## 2005 BCSECCOM 23

presently listed and posted for trading on the Exchange and trade under the symbol “SIL”.

8. The Filer is primarily engaged in the exploration and development of mineral resource properties in the People’s Republic of China.
9. On February 5, 2004, Pargas Enterprises Ltd. (BVI) (“Pargas BVI”), a wholly-owned subsidiary of the Filer, entered into a Chinese-foreign cooperative joint venture contract (the “Joint Venture Agreement”) with the Gansu Qinqi Minerals Company Limited (“Qinqi”) relating to the establishment and operations of the Gansu Pargas Minerals Exploration Company Limited (“Pargas Gansu” or the “Joint Venture”), a newly-created subsidiary entity owned by Pargas BVI and Qinqi.
10. The final registration of Pargas Gansu will take effect upon the issuance by the Chinese government of a business license for the operations of the Joint Venture. The Filer expects that this business operations license will be granted to the Joint Venture in early calendar year 2005. Until such issuance, the Filer effectively has no operations.
11. The Filer’s interest in the Joint Venture is the Filer’s primary economic asset and the principal focus of the Filer’s exploration and development activities.
12. The financial year end of Pargas Gansu is December 31. Under the laws of the People’s Republic of China, all joint venture companies are required to have a December 31 financial year end. The Company’s Chinese competitors and other reporting issuers with similar operations report their financial results on the basis of a December 31 year end.
13. The current financial year end of the Filer is August 31.
14. The proposed transition year is the 16 month period ending December 31, 2005.
15. As the Filer’s primary economic asset, the Joint Venture, is required by the laws of the People’s Republic of China to provide financial reporting on the basis of a December 31 year end, the change in financial year end of the Company from August 31 to December 31 will provide for greater administrative cost efficiency and will conform with standard industry practice for comparable mineral exploration companies.

## 2005 BCSECCOM 23

16. The change in year end will permit the Filer to conduct its internal financial accounting and engage external auditors at the same time as such practices are being undertaken on behalf of the Joint Venture.
17. The Filer's management believe that it is relevant for the Filer to report on the same basis as other participants involved in mineral exploration and development in the People's Republic of China.
18. As the Joint Venture has not yet been issued its business operations license, there has not been any material financial operations or changes for the Filer since August 31, 2004 and accordingly, shareholders would derive little if any material benefit from audited statements produced over this four month period.
19. The Filer is not in default of the Legislation in Ontario or in any of the other Jurisdictions.

### **Decision**

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted and the filer shall be permitted to change its financial year end from August 31 to December 31 provided that the Filer shall prepare and file annual financial statements in respect of its transition year no later than March 31, 2006 and will include the annual financial statements of its old financial year as comparatives to those for its transition year.

John Hughes  
Manager, Corporate Finance  
Ontario Securities Commission