

2006 BCSECCOM 440

June 14, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications

National Instrument 51-102, s. 13.1 - Continuous Disclosure Obligations - Information circular - An issuer wants relief from the requirement to include prospectus-level disclosure in an information circular to be circulated in connection with an arrangement, reorganization, acquisition or amalgamation - The issuer acquired a business whose historical financial statements have been prepared in accordance with Chinese GAAP and audited in accordance with Chinese GAAS; the information necessary to prepare the financial statement using Canadian GAAP or re-audit the historical financial statements is not available, and the Chinese audit firm no longer exists; the issuer will provide more current annual financial statements than would otherwise be required that are prepared in accordance with Canadian GAAP and audited in accordance with Canadian GAAS, with a comparative period in Canadian GAAP and reviewed in accordance with Canadian GAAS; the issuer will also file its own financial statements that will be audited in accordance with Canadian GAAS; those statements will consolidate the acquired business' financial statements for approximately an 11-month period - The issuer is acquiring an Australian public company; the company is not required to prepare 3 or 9-month interim financial statements; the issuer will include the 6-month interim financial statements for the company; if additional financial statements were required, the company would have to revise documents sent to its shareholders in accordance with Australian requirements; if the company had to resend documents, the acquisition could collapse, and the Australian company could go into bankruptcy; the issuer could acquire the assets of the company out of bankruptcy, but would have access to even less financial information; alternate financial information will be provided; information will be provided sufficient for shareholders to assess the transaction as a whole

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 a business whose historical financial statements have been audited in accordance with Chinese GAAS; the information necessary to re-audit the historical financial statements is not available, and the Chinese audit firm no longer exists; the issuer will provide more current annual financial statements than would otherwise be required that are audited in accordance with Canadian GAAS, with a comparative period reviewed in accordance with Canadian GAAS; the issuer will also file its own audited financial statements that will be audited in accordance with Canadian GAAS; those statements will consolidate the acquired business' financial statements for approximately an 11-month period; the issuer is acquiring a business whose historical financial statements have been audited in

2006 BCSECCOM 440

accordance with Australian GAAS; the auditor's report will contain a statement that describes any material differences in the form and content of the report and confirm that a Canadian GAAS report would not contain a reservation

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 119 and 187(1)

National Instrument 51-102, ss. 9.1 and 13.1

Form 51-102F5, s. 14.2

National Instrument 52-107, ss. 6.2 and 9.1

In the Matter of
the Securities Legislation of
British Columbia, Alberta and Ontario

and

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

and

In the Matter of
Michelago Limited and Golden China Resources Corporation

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta and Ontario (the "Jurisdictions") has received an application from Michelago Limited ("MIC") and Golden China Resources Corporation ("GCRC") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that MIC and GCRC be exempt from the requirements in the Legislation to:

- (a) audit MIC annual financial statements in accordance with Canadian GAAS or U.S. GAAS, as required by section 6.2 of National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency,
- (b) provide GCRC pro forma statements for the most recently completed interim financial period being March 31, 2006 as required by Part 6, Section 6.5 of Ontario Securities Rule 41-501 General Prospectus Requirements,

2006 BCSECCOM 440

- (c) provide MIC unaudited interim financial statements for the nine-month periods ended March 31, 2005 and 2006, respectively as required by Part 6, Section 6.3 of Ontario Securities Rule 41-501 General Prospectus Requirements,
- (d) provide the following financial statements of Biogold (as defined below) as required by Part 6, Section 6.3 of Ontario Securities Rule 41-501 General Prospectus Requirements,
 - (i) balance sheets at December 31, 2004 and 2003, and statements of operations, cash flows and retained earnings for each of the three years ended December 31, 2004, 2003 and 2002 prepared in accordance with Canadian GAAP and audited in accordance with Canadian GAAS or U.S. GAAS; and
 - (ii) Unaudited interim financial statements for six months ended June 30, 2005 and 2004, respectively, prepared in accordance with Canadian GAAP,

and to include the financial statements indicated in (b) (c) and (d) above in an information circular (the “Information Circular”) GCRC will send in connection with its business combination with MIC (the “Business Combination”).

(collectively, the “Requested Relief”).

Under the Mutual Reliance Review System (the “System”),

- (iii) the Ontario Securities Commission is the principal regulator for this application; and
- (iv) this MRRS Decision Document evidences the decision of each Decision Maker.

Interpretation

Unless otherwise defined in this decision, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

Representations

This decision is based on the following facts represented by GCRC and MIC:

2006 BCSECCOM 440

1. On November 14, 2005, MIC and GCRC announced the proposed Business Combination.
2. GCRC is listed on the TSX Venture Exchange but as part of the proposed transaction intends to seek a listing on the Toronto Stock Exchange (the “TSX”). The closing of the Business Combination is subject to, among other things, conditional approval of the GCRC common shares for listing on the TSX. GCRC is a reporting issuer in the Jurisdictions and is not in default of any of its reporting issuer obligations in any of the Jurisdictions.
3. MIC is an Australian company listed on the Australian Stock Exchange (the “ASX”) and is not a reporting issuer in any province of Canada.
4. The Business Combination is to be carried out by way of two schemes of arrangement under Australian law pursuant to which MIC shareholders and listed optionholders will receive GCRC Chess Depository Interests in exchange for their MIC securities. Immediately before completion of the Business Combination, GCRC will consolidate its issued share capital and MIC shareholders will be issued depository receipts representing GCRC shares on a post-consolidation basis.
5. Following completion of the Business Combination, MIC will become an indirect wholly-owned subsidiary of GCRC and will be delisted from ASX. GCRC will be listed on both the TSX and the ASX.
6. On July 22, 2005, MIC completed an acquisition of Shandong Tarzan Biogold Limited (“Biogold”), a company located in the Peoples Republic of China.
7. GCRC is the acquirer of MIC for both accounting purposes and the purposes of the Legislation.
8. The fiscal year-end of GCRC, MIC and Biogold, respectively, are as follows:
 - (a) GCRC – June 30;
 - (b) MIC – June 30; and
 - (c) Biogold – December 31.
9. MIC and GCRC propose to include or incorporate by reference the following financial statements in the Information Circular:
 1. **GCRC:**

2006 BCSECCOM 440

- (i) audited consolidated financial statements prepared in accordance with Canadian GAAP (the “GCRC Audited Financial Statements”) as at June 30, 2005 and June 30, 2004 (balance sheet) and for the financial year ended June 30, 2005 and the period from the date of incorporation on February 26, 2004 to June 30, 2004 (statements of operations and deficit and cash flows) together with the auditor’s report thereon in accordance with Canadian GAAS; and
- (ii) unaudited interim consolidated financial statements (the “GCRC Unaudited Interim Financial Statements”) as at March 31, 2006 (balance sheet) and for the nine month period ended March 31, 2006 and March 31, 2005 (statements of operations and deficit and cash flows), in each case prepared in accordance with Canadian GAAP.

2. MIC:

- (i) audited financial statements for the three years ended June 30, 2003, 2004 and 2005 (the “MIC Audited Financial Statements”); and
- (ii) unaudited interim financial statements for the six-month period ended December 31, 2005 and 2004 (the “MIC Interim Unaudited Financial Statements”).

Prior to July 1, 2005, MIC prepared its financial statements in accordance with Australian generally accepted accounting principles (“Australian GAAP”). Subsequent to this date, all financial statements have been prepared in accordance with the Australian equivalent to International Financial Reporting Standards (“AIFRS”). MIC has complied with the rules and regulations of the Australian Securities and Investment Commission (“ASIC”) in its transition from Australian GAAP to AIFRS and its financial statements have been prepared in accordance with accounting principles that meet the disclosure requirements of ASIC to which MIC is subject. The financial statements will include an Australian auditor’s report which has been prepared in accordance with Australian generally accepted auditing standards (“Australian GAAS”). The auditor’s report will contain a statement 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

2006 BCSECCOM 440

- B. will indicate that an auditor's report prepared in Canadian GAAS would not contain a reservation.

Financial disclosure for the most recent periods (the fiscal year ended June 30, 2005 and six month period ended December 31, 2005) will be reconciled to Canadian GAAP and the notes to the statements will:

- C. explain the material differences between Canadian GAAP and Australian GAAP/AIFRS (as applicable) that relate to recognition, measurement, and presentation;
- D. quantify the effect of material differences between Canadian GAAP and Australian GAAP/AIFRS (as applicable) that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in MIC's financial statements and net income computed in accordance with the Canadian GAAP, and
- E. provide disclosure consistent with Canadian GAAP to the extent not already reflected in MIC's financial statements.

3. GCRC Pro Forma Statements (in Canadian GAAP):

- (i) a pro forma balance sheet at December 31, 2005 (combining GCRC as at December 31, 2005 and MIC as at December 31, 2005);
- (ii) a pro forma income statement for the six-month period ended December 31, 2005 (combining GCRC and MIC for the six-month period and adjusted to reflect short pre-acquisition results of Biogold); and
- (iii) pro forma income statement for the twelve-month period ended June 30, 2005 combining GCRC, MIC and Biogold.

4. Biogold:

- (i) the audited financial statements of Biogold as at and for the year ended June 30, 2006 prepared in accordance with Canadian GAAP and audited in accordance with Canadian GAAS; and
- (ii) unaudited comparative financial statements of Biogold as at and for the year ended June 30, 2005 prepared in accordance with Canadian

2006 BCSECCOM 440

GAAP and reviewed in accordance with Canadian GAAS. MIC and GCRC have also sought consent to permit the auditors' review for 2005 to include a qualification, if determined to be necessary, due to the auditors' inability to perform review procedures with respect to opening inventory.

10. MIC and GCRC have sought consent to include the Biogold financial statements set out at subsection 4 of paragraph 9 above due to the indirect nature of the Biogold acquisition and due to limitations in gaining access to information necessary to re-audit the historical financial statements that strictly meet the requirements of the Jurisdictions. MIC has had very limited access to Biogold's previous auditors.
11. Pursuant to the requirements in National Instrument 51-102 Continuous Disclosure Requirements and National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, GCRC will file, within 75 days of the completion of the Business Combination, the audited financial statements of MIC for the year ended June 30, 2006 prepared in accordance with AIFRS, reconciled to Canadian GAAP and audited in accordance with Canadian GAAS.
12. GCRC has undertaken not to conduct a public offering of its securities by way of a prospectus until the financial statements referred to in paragraph 11 above have been filed on SEDAR.

The 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 by the Decision Makers in the Jurisdictions under the Legislation is that the Requested Relief is granted, provided GCRC includes or incorporates by reference the financial statements described in paragraph 9 in the Information Circular.

John Hughes
Manager, Corporate Finance
Ontario Securities Commission