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October 19, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications

Securities Act s. 114(2) Takeover Bids - Exemption from the take over bid requirements – Issuer needs relief from certain disclosure requirements for the takeover bid circular required by Item 15 of BC Form 62-902F - The offeror is a designated foreign issuer and is not a reporting issuer in Canada; the offeror is not required under its home jurisdiction's laws to prepare certain financial statements; the offeror will provide relevant financial disclosure regarding the target which the target's shareholder's have not already had access to as a result of the target being a reporting issuer in Canada; the offeror will comply with NI 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*

Securities Act s. 48,76 Other - Exemption from registration and prospectus requirements for situations other than a corporate acquisition or reorganization; trades to business associates; debt settlements; or trades involving employee investment plans and consultants - Offeror issuer wants relief to rely on s. 2.11 of NI 45-102 in connection with a securities exchange take-over bid despite not being a reporting issuer on the date the securities of the offeree issuer were first taken up under the take-over bid - Due to the definitions of "reporting issuer" and the operation of section 2.11 of NI 45-102, Canadian shareholders will be subject to a four month seasoning period in certain jurisdictions and not in others; shareholders in BC can only receive freely-tradable securities as consideration for the take-over bid if the offeror issuer takes up and pays for the offeree issuer's shares it first takes up under the bid on the same day

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48, 76, 108(7), 114(2),
BC Form 62-902F, Instrument 41-501

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario,
Quebec, New Brunswick, Nova Scotia and Newfoundland and Labrador
(the "Jurisdictions")

and

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

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and

In the Matter of
Sino Gold Mining Limited

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions except New Brunswick (the “Financial Information Jurisdictions”) has received an application from Sino Gold Mining Limited for a decision pursuant to the securities legislation (the “Legislation”) of the Financial Information Jurisdictions that:

- (a) the Canadian Financial Reporting Requirements (as defined below); and
- (b) the requirement to include the Golden China Historical Statements (as defined below) in the Circular (as defined below),

not apply in connection with the proposed securities exchange take-over bid (the “Offer”) by Sino Gold Mining Limited or its subsidiary (collectively, “Sino Gold”) for all the issued and outstanding common shares (“Golden China Shares”) of Golden China Resources Corporation (“Golden China”) other than those already owned by Sino Gold and its affiliates (the “Financial Information Relief”).

The Decision Maker in each of Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia and British Columbia (the “Non-Reporting Issuer Jurisdictions”) has received an application from Sino Gold for a decision under the Legislation of the Non-Reporting Issuer Jurisdictions for an exemption from the prospectus requirement as it relates to the first trade of ordinary shares of Sino Gold (the “Sino Gold Shares”) and the Replacement Convertible Securities (as defined below) distributed in connection with the Offer (including those that may be distributed pursuant to any compulsory acquisition or subsequent acquisition transaction described in the Circular) and of the underlying Sino Gold Shares that may be issued pursuant to such Convertible Securities (the “First Trade Relief”).

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

- (c) the Ontario Securities Commission is the principal regulator for this application, and

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(d) 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

This decision is based on the following facts represented by Sino Gold:

1. Sino Gold is a public company based in Sydney, Australia and incorporated in New South Wales, Australia. Sino Gold explores, evaluates, develops and operates gold mines in China through cooperative joint venture companies with local Chinese partners.
2. Sino Gold Shares are listed on the Australian Securities Exchange (“ASX”) and the Hong Kong Stock Exchange (“HKSE”). Sino Gold does not currently intend to list the Sino Gold Shares on any exchange in Canada.
3. As at August 30, 2007, there were 181,616,415 Sino Gold Shares issued and outstanding. Under the Australian Corporations Act 2001 (Commonwealth of Australia), Australian registered companies do not have an authorized capital.
4. Sino Gold is not currently a reporting issuer or equivalent in any of the Jurisdictions. As a result of the Offer, and by virtue of the definitions of “reporting issuer” contained in the Legislation, the Filer will become a reporting issuer (i) in Quebec and Newfoundland and Labrador (the “Reporting Issuer Jurisdictions”) upon the filing of the Circular, and (ii) in British Columbia, upon first taking up and paying for Golden China Shares under the Offer. Sino Gold will not become a reporting issuer in the remaining Jurisdictions as a result of filing the Circular or any subsequent take-up and payment for Golden China Shares.
5. Sino Gold does not have knowledge of any material facts with respect to Golden China that has not been generally disclosed.
6. Golden China is incorporated under the *Canada Business Corporations Act* and is a Toronto based mining company principally engaged in a mix of exploration and development, processing, and mining production throughout China.
7. Golden China’s authorized share capital consists of an unlimited number of Golden China Shares without nominal or par value, of which 55,330,319

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Golden China Shares were issued and outstanding as at August 13, 2007. The Golden China Shares are listed on the Toronto Stock Exchange (“TSX”) and, via a depository receipt system, the ASX.

8. As at September 25, 2007, Golden China has issued and outstanding the following securities that are convertible into or exerciseable for Golden China Shares:
 - (a) warrants to acquire an aggregate of approximately 8,539,286 Golden China Shares expiring between December 8, 2007 and April 27, 2009;
 - (b) approximately 241,500 warrants to acquire the option to purchase one Golden China Share and one-half of one warrant of Golden China (each such whole warrant entitling the holder to acquire one Golden China Share), expiring May 23, 2009;
 - (c) options to acquire approximately 3,500,000 Golden China Shares expiring August 7, 2012;
 - (d) options issued pursuant to certain incentive stock option plans to acquire 3,625,120 Golden China Shares;
 - (e) agents’ compensation options expiring May 23, 2009 to acquire C\$336,000 principal amount of 7% Convertible Senior Secured (Subordinated) Debentures of Golden China due May 23, 2012;
 - (f) 758,351 deferred share units (“DSUs”) representing the right of directors of Golden China to receive one Golden China Share at the earlier of the third anniversary of the date that the DSU was credited to the DSU account and the director’s termination date; and
 - (g) an aggregate of C\$4,800,000 principal amount 7% convertible senior secured debentures due May 24, 2012 (the “Convertible Debentures”) issued pursuant to a trust indenture dated May 24, 2007 and convertible by the holders thereof into Golden China Shares at a conversion price of C\$0.95 per Golden China Share. The aggregate principal amount of Convertible Debentures outstanding is convertible into 5,052,631 Golden China Shares
- (collectively, the “Convertible Securities”, as their terms may be amended).

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9. Golden China is a reporting issuer in British Columbia, Alberta and Ontario, and to Sino Gold's knowledge, is not in default of its obligations as a reporting issuer under the Legislation in these jurisdictions.
10. On August 13, 2007, Sino Gold Mining Limited and Golden China entered into an agreement (the "Letter Agreement") setting out the general terms of the Offer, and issued a joint press release announcing the signing of the Letter Agreement and Sino Gold's intention to make the Offer.
11. Under the Offer, Golden China shareholders would receive 0.2222 of a Sino Gold Share for every one Golden China Share they hold (the "Exchange Ratio"), subject to the terms and conditions of the Offer.
12. On September 7, 2007, Sino Gold and Golden China entered into a definitive support agreement (the "Support Agreement") and issued a joint press release announcing the signing of the Support Agreement.
13. Sino Gold intends to propose to holders of Convertible Securities that are described in paragraphs 8(a) to (e) above to amend or exchange their securities to give them similar rights, as applicable, to acquire Sino Gold Shares, with the number of underlying shares and the exercise price adjusted to reflect the Exchange Ratio (the "Replacement Convertible Securities"), such exchanges to be conditional on the take-up of Golden China Shares under the Offer.
14. Sino Gold currently intends to commence the Offer by mailing the Circular, together with all related documents, to holders of Golden China Shares whose last address on the books of Golden China is shown as being in Canada, which Circular will describe, among other things, the terms and conditions of the Offer. Sino Gold will also file the Circular on the System for Electronic Document Analysis and Retrieval ("SEDAR").
15. To date, Sino Gold has also entered into lock-up agreements with three Golden China shareholders who hold in aggregate approximately 11.4% of the currently outstanding Golden China Shares. In addition, Baker Steel Capital Managers (who own approximately 5.4% of the currently outstanding Golden China Shares) has indicated its non-binding verbal support for the Offer.
16. On September 18, 2007, Golden China issued 5,882,352 common shares at a price of Cdn\$0.85 per share on a private placement basis to Sino Gold (the "Private Placement"). As a result of the Private Placement, Sino Gold acquired approximately 9.5% of the issued and outstanding Golden China Shares.

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17. Because the consideration being offered for the purchase of the Golden China Shares is Sino Gold Shares, the form requirements for a take-over bid circular in the Jurisdictions requires Sino Gold to include in the Circular disclosure as prescribed by the form of prospectus appropriate for Sino Gold (collectively, the “Form Requirements”).
18. Pursuant to the Form Requirements, Sino Gold will include the following financial statements of Sino Gold in the Circular, all prepared in accordance with Australian generally accepted accounting principles (“Australian GAAP”) and, where required, audited in accordance with Australian generally accepted auditing standards:
 - (a) audited statements of income, retained earnings and cash flows for the years ended December 31, 2006, 2005 and 2004;
 - (b) audited consolidated balance sheets as at December 31, 2006 and 2005; and
 - (c) interim financial statements for the six-month period ended June 30, 2007(the financial statements in (a) to (c) being referred to as the “Sino Gold Historical Statements”).
19. Pursuant to the Form Requirements:
 - (a) The Sino Gold Historical Statements must:
 - (i) be prepared or reconciled to Canadian generally accepted accounting principles (“Canadian GAAP”);
 - (ii) be audited in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”) or foreign generally accepted auditing standards (“Foreign GAAS”) provided that Foreign GAAS is substantially equivalent to Canadian GAAS;
 - (iii) include with the auditor’s report a statement by the auditor disclosing the material differences in the form and content of the foreign auditor’s report as compared to a Canadian auditor’s report and confirming that the auditing standards applied are substantially equivalent to Canadian GAAS; and
 - (iv) be accompanied by a foreign auditor’s report together with a foreign auditor’s proficiency letter;

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(the “Canadian Financial Reporting Requirements”).

20. Although the Sino Gold Historical Statements will not comply with the Canadian Financial Reporting Requirements, they will comply with the provisions contained in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (“NI 52-107”).
21. As of the date hereof, Sino Gold is a “designated foreign issuer” as such term is defined in NI 52-107, and it is anticipated that Sino Gold will continue to be a “designated foreign issuer” subsequent to the distribution of Sino Gold Shares pursuant to the Offer.
22. The Offer constitutes a “significant probable acquisition of a business” under OSC Rule 41-501 – *General Prospectus Requirements* (“Rule 41-501”). Consequently, pursuant to the Form Requirements, in addition to the Sino Gold Historical Statements, Sino Gold is also required to include in the Circular the following financial statement disclosure in connection with the proposed acquisition of Golden China:
 - (a) audited consolidated statements of income, retained earnings and cash flows of Golden China for the financial year ended June 30, 2007 and 2006; and
 - (b) audited consolidated balance sheet as at June 30, 2007 and 2006;in each case prepared in accordance with Canadian GAAP, and audited in accordance with Canadian GAAS, with the financial statements for the most recently completed interim period and fiscal year being reconciled to Australian GAAP (the financial statements in (a) to (b) being referred to as the “Golden China Historical Statements”);
 - (c) an unaudited *pro forma* balance sheet of Sino Gold as at June 30, 2007 to give effect to the acquisition of Golden China as if it had taken place as at June 30, 2007 and, in accordance with NI 52-107, prepared in accordance with Australian GAAP;
 - (d) unaudited *pro forma* income statements of Sino Gold for (i) the year ended December 31, 2006 and (ii) the six months ended June 30, 2007, each to give effect to the acquisition of Golden China as if it had taken place on January 1, 2006, being the beginning of the most recently completed financial year of Sino Gold for which audited financial statements are included in the Circular, and in accordance with NI 52-107, each prepared

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in accordance with Australian GAAP, and *pro forma* earnings per share based on the *pro forma* statement of income prepared;

(the financial statements in (c) to (d) being referred to as the “Pro Forma Statements”); and

(e) a compilation report.

23. Because Golden China is a reporting issuer in British Columbia, Alberta, and Ontario and has been subject to the continuous disclosure requirements in National Instrument 51-102 *Continuous Disclosure Obligations*, including the obligation to file annual audited financial statements, interim unaudited financial statements, and annual and interim MD&A on SEDAR, shareholders of Golden China have been provided with and have access to the Golden China Historical Statements.
24. The Circular will prominently refer readers to SEDAR for copies of the Golden China Historical Statements, MD&A and other continuous disclosure of Golden China that may be of interest to Golden China shareholders.
25. The Circular will contain (i) the Pro Forma Financial Statements giving effect to the exchange of the securities contemplated by the Offer as required for the dates and periods required by OSC Rule 41-501, including (ii) a reconciliation note for the Golden China financial information contained therein (from Canadian GAAP to Australian GAAP), and (iii) a compilation report, all of which will provide shareholders of Golden China with the relevant information to evaluate the combined company. The Pro Forma Statements, the reconciliation note, and the compilation report will comply with NI 52-107.
26. With the exception of the Golden China Historical Statements, the Circular will provide prospectus-level disclosure for Sino Gold.
27. The distribution of the Sino Gold Shares and the amendment of the Convertible Securities in connection with the Offer will be exempt from the registration and prospectus requirements in all Canadian jurisdictions pursuant to the Legislation.
28. Pursuant to section 2.6 of National Instrument 45-102 *Resale of Securities* (“NI 45-102”), the first trade in securities acquired pursuant to a securities exchange take-over bid is deemed to be a distribution, unless certain conditions are met. Where the issuer is not a “qualifying issuer” at the

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distribution date, security holders are generally subject to a four month seasoning or hold period.

29. The first trade of Sino Gold Shares issued to shareholders of Golden China in the Jurisdictions (other than Manitoba) will be subject to Section 2.6 of NI 45-102, with the result that such Sino Gold Shares will be subject to a four-month seasoning period following Sino Gold becoming a reporting issuer in those jurisdictions, unless an exemption from the requirements of that section is available.
30. The first trade of Replacement Convertible Securities held by securityholders of Golden China and the underlying Sino Gold Shares issued under the terms of the Replacement Convertible Securities in the Jurisdictions (other than Manitoba) will be subject to Section 2.6 of NI 45-102, with the result that such Sino Gold Shares will be subject to a four-month seasoning period following Sino Gold becoming a reporting issuer in those jurisdictions, unless an exemption from the requirements of that section is available.
31. Pursuant to Section 2.11 of NI 45-102, first trades that would otherwise be subject to Section 2.6 of NI 45-102 are exempt from the seasoning period provided that, among other things, a securities exchange take-over bid circular relating to the distribution of the security was filed by the offeror on SEDAR and the offeror was a reporting issuer on the date the securities of the offeree issuer were first taken up under the bid.
32. The differences between the definitions of “reporting issuer” in the Jurisdictions and the operation of Section 2.11 of NI 45-102 will result in: (i) shareholders of Golden China in the Reporting Issuer Jurisdictions receiving Sino Gold Shares that are freely-tradeable (however, shareholders of Golden China in British Columbia will only receive Sino Gold Shares that are freely-tradeable if Sino Gold takes up and pays for the Golden China Shares it first takes up under the Offer on the same day, which is not expected to occur) and (ii) shareholders of Golden China in the Non-Reporting Issuer Jurisdictions receiving Sino Gold Shares that are subject to a four-month seasoning period.
33. Following the completion of the Offer, the financial reports, proxy materials and other materials currently distributed to the holders of Sino Gold Shares pursuant to the securities laws of Australia and Hong Kong will be provided to the holders of Sino Gold Shares resident in Canada in accordance with applicable corporate and securities laws in the Jurisdictions.
34. Because there is no market for the Sino Gold Shares based in Canada and none is expected to develop, it is expected that any resale of the Sino Gold Shares

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by Canadian residents will be effected through the facilities of the ASX or HKSE in accordance with their respective requirements.

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 in the Financial Information Jurisdictions under the Legislation is that the Financial Information Relief is granted provided that the Circular:

- (a) includes the Sino Gold Historical Statements;
- (b) prominently refers readers to SEDAR for copies of the Golden China Historical Statements, MD&A and other continuous disclosure of Golden China;
- (c) contains (i) the Pro Forma Statements, including (ii) a reconciliation note for the Golden China financial information contained therein (from Canadian GAAP to Australian GAAP), and (iii) a compilation report; and
- (d) complies with NI 52-107.

The decision of the Decision Makers in the Non-Reporting Issuer Jurisdictions under the Legislation of the Non-Reporting Issuer Jurisdictions is that the First Trade Relief is granted, provided that such trades are made through an exchange or a market outside of Canada and that such trades are not control distributions, as defined in the Legislation.

James E.A. Turner
Ontario Securities Commission

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Ontario Securities Commission