

2007 BCSECCOM 380

June 25, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2 and 9.1 – auditing requirements for acquisition statements - An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS - The issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' financial statements have been audited in accordance with Australian GAAS; it would be impractical to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS; the audit report will be accompanied by a statement by the auditor that describes any material differences in the report as compared to a Canadian GAAS audit report and indicates that the report, if prepared in accordance with Canadian GAAS, would not contain a reservation

Applicable British Columbia Provisions

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2 and 9.1

National Instrument 51-102 *Continuous Disclosure Obligations*, Part 8

In the Matter of
the Securities Legislation of
British Columbia and Alberta
(the Jurisdictions)

and

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

and

In the Matter of
Golden Dynasty Resources Ltd.
(the Filer)

MRRS Decision Document

Background

- ¶ 1 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

2007 BCSECCOM 380

the securities legislation of the Jurisdictions (the Legislation) for an exemption from the requirement in section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) that financial statements for Terratek Drilling Tools Pty Ltd. (Terratek) that are required to be included in a business acquisition report (BAR), prepared under National Instrument 51-102, be audited in accordance with Canadian or U.S. generally accepted auditing standards (Canadian GAAS or U.S. GAAS) (the Requested Relief).

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

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

Interpretation

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

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
- 1. the Filer is a corporation incorporated under the laws of the Province of British Columbia and carries on the business of oil and gas exploration;
 - 2. the Filer is a reporting issuer in British Columbia and Alberta and is not in default of the Securities Act (British Columbia) or the Securities Act (Alberta), other than:
 - (a) the Filer has been delayed in filing a BAR by the required time of December 19, 2006;
 - (b) the Filer did not apply for relief in the preparation of the BAR requirements prior to becoming in default of the requirements to file the BAR; and
 - (c) the Filer has been delayed in the filings of the Filer's audited financial statements for the year ended December 31, 2006 and the Filer's interim financial statements for the three month period ended March 31, 2007.

2007 BCSECCOM 380

3. the Filer's registered office is located in Vancouver, British Columbia and the Filer maintains a local office in Vancouver, British Columbia for administrative purposes; the Filer's business operations were until March 30, 2007 conducted solely in Australia;
4. the Filer's common shares are listed for trading on the TSX Venture Exchange;
5. Terratek is a corporation formed under the laws of Australia; Terratek is not a reporting issuer in any jurisdiction and its securities are not listed for trading on any stock exchange; Terratek owns oil and gas exploration permits and production licences in the Canning Basin, Australia as well as certain equipment and an interest in some oil and gas technology;
6. on October 5, 2006, the Filer assumed control and direction over 100% of the shares of Terratek (the "Acquisition"); on March 30, 2007, the Filer closed the sale of all the shares of Terratek;
7. the Filer's fiscal year end is December 31 and Terratek's year end is June 30;
8. as the Acquisition constituted a "significant acquisition" for the purposes of NI 51-102, the Filer was required to file a BAR by December 19, 2006;
9. under section 8.4 of NI 51-102, the BAR must be accompanied by certain financial statements of Terratek, including comparative audited financial statements for the most recently completed financial year ended more than 45 days before the date of the Acquisition, and certain pro forma statements and information of the Filer;
10. the Filer will be providing the following pro forma information:
 - (a) a pro forma balance sheet as at September 30, 2006 that gives effect to the Acquisition as if it had taken place as at that date;
 - (b) a pro forma income statement to give effect to the Acquisition for each of:
 - (i) the most recently completed financial year of the Filer for which financial statements have been prepared, being the year ended December 31, 2005 (using the constructed statements of income, retained earnings and cash flows of Terratek for the 12 months ended December 31, 2005); and
 - (ii) the most recently completed interim period of the Filer for which financial statements have been prepared, being the interim period

2007 BCSECCOM 380

ended September 30, 2006 (using the constructed statements of income, retained earnings and cash flows of Terratek for the nine months ended September 30, 2006);

in each case, as if the Acquisition had taken place at the beginning of that financial period; and

(c) pro forma loss per share based on the pro forma financial statements.

11. the annual financial statements of Terratek are being prepared in accordance with Australian GAAP and audited in accordance with Australian GAAS and will include a note reconciling the statements to Canadian GAAP prepared in accordance with the requirements of section 6.1 of NI 52-107;
12. under NI 52-107, acquisition statements that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS or US GAAS unless the reporting issuer that is making the acquisition is a foreign issuer; and
13. NI 52-107 does not permit the Filer to file acquisition statements for Terratek audited in accordance with Australian GAAS.

Decision

¶ 4 The Decision Makers being satisfied that each has jurisdiction to make this decision and that the relevant test contained in the Legislation has been met, the Requested Relief is granted, provided that the Annual Financial Statements for Terratek are accompanied by an auditor's report from the auditor of Terratek, which contains or is accompanied by a statement by the auditor that:

- (a) describes the material differences in the form and content of the auditor's report prepared in accordance with Australian GAAS as compared to an auditor's report prepared in accordance with Canadian GAAS; and
- (b) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

Martin Eady, CA
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British Columbia Securities Commission