

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA,
PRINCE EDWARD ISLAND, NEWFOUNDLAND, THE YUKON TERRITORY,
THE NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF KAZAKHSTAN MINERALS CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon Territory, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Kazakhstan Minerals Corporation ("KazMinCo") (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- (1) the registration and prospectus requirements of the Legislation shall not apply to certain trades made in connection with or subsequent to a proposed plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Yukon) (the "YBCA") involving Kazakhstan and ARDS Resources Corporation ("ARDS"); and
- (2) in Ontario, British Columbia, Alberta and Nova Scotia, ARDS shall be deemed to be a reporting issuer as of the effective time of the Arrangement;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. KazMinCo was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on October 13, 1987 and was continued under the YBCA on November 1, 1995. KazMinCo's administrative office is located in England. It is a reporting issuer in British Columbia, Alberta and Ontario, is subject to the continuous disclosure requirements in the Yukon Territory and is not in default of any requirements of the Legislation. Its common shares (the "KazMinCo Common Shares") are listed on The Toronto Stock Exchange.

2. The authorized share capital of KazMinCo consists of an unlimited number of common shares with no par value. As at June 12, 2000, 29,771,156 KazMinCo Common Shares were issued and outstanding, of which 3,275,027 KazMinCo Common Shares were held in escrow pending release on September 28, 2000. In addition, there are outstanding options to purchase an aggregate of 805,000 KazMinCo Common Shares granted in the ordinary course to directors, officers, employees and consultants under KazMinCo's stock option plan (the "KazMinCo Option Plan").

3. KazMinCo is a junior resource company engaged in the acquisition, exploration and evaluation of natural resources such as minerals and oil through its ownership of its principal subsidiaries, Three K Exploration and Mining Limited (a Barbados corporation), 3K Exploration and Mining Limited (a United Kingdom corporation), Almaty Exploration Limited (a British Virgin Islands corporation), Kazminco Oil Limited (a British Virgin Islands corporation) and KMC Mineral Exploration Ltd. (a Hungarian corporation) (collectively, the "Principal Subsidiaries").

4. ARDS was incorporated under the YBCA on July 6, 2000 and its registered office is located in the Yukon Territory. The authorized capital of ARDS consists of an unlimited number of common shares without par or nominal value. As of July 12, 2000, the issued and outstanding share capital of ARDS consisted of one ARDS share held by KazMinCo.

5. Pursuant to the Arrangement, the steps set forth below will occur in the following order:

(a) KazMinCo will transfer to ARDS all of its assets including all outstanding shares of certain of its subsidiaries (collectively the "Mineral Business"), other than cash amounting to approximately 950,000, shares of TradeReach Limited ("TradeReach") and loans advanced by KazMinCo to TradeReach. ARDS will issue to KazMinCo that number of ARDS common shares (the "ARDS Shares") equal to the aggregate number of KazMinCo Common Shares issued and outstanding as at the close of business on the Arrangement record date (excluding the number of KazMinCo Common Shares in respect of which KazMinCo shareholders have duly exercised dissent rights in accordance with the plan of arrangement) less one share;

(b) KazMinCo and 31927 Yukon Inc. ("Subco") will be amalgamated to form TradeReach Group Holdings Limited ("Amalco"), and on such amalgamation each KazMinCo shareholder (a "KazMinCo Shareholder") will exchange its KazMinCo Common Shares for Amalco common shares (the "Amalco Common Shares") on the basis of one Amalco Common Share for each KazMinCo Common Share held, and each outstanding share of Subco will be cancelled without any repayment of capital in respect thereof;

(c) the stated capital account maintained by Amalco for the Amalco Common Shares will be reduced by an amount equal to the fair market value of all of the issued and outstanding ARDS Shares held by Amalco, as determined by the board of directors of KazMinCo as at the close of business on the Arrangement record

date and, on such reduction of stated capital, Amalco will distribute the ARDS Shares to the KazMinCo Shareholders of record as at the close of business on the Arrangement record date; and

(d) each of Amalco and ARDS will be continued as a corporation under the laws of the British Virgin Islands.

6. The Arrangement must be approved by the Supreme Court of the Yukon Territory and by the KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan.

7. Pursuant to an acquisition agreement among KazMinCo, TradeReach and Norbert Baumker, Roger Selman and Salahi Ozturk dated as of July 19, 2000 (the "Acquisition Agreement"), KazMinCo has agreed to acquire all of the outstanding shares of TradeReach and all of the outstanding options of TradeReach will be surrendered for cancellation. TradeReach is a private corporation governed by the laws of England and Wales. TradeReach is developing a business-to-business ("B2B") e-commerce sector project which consists of an international trading platform within the B2B marketplace.

8. Pursuant to the Acquisition Agreement and related agreements, KazMinCo will acquire all of the outstanding shares of TradeReach (other than those shares of TradeReach owned by KazMinCo) in consideration for, in the case of TradeReach shares held by Norbert G. Baumker and Roger M. Selman, either KazMinCo Common Shares or debentures convertible into KazMinCo Common Shares, and in the case of TradeReach shares held by all other TradeReach shareholders, KazMinCo Common Shares, and KazMinCo will issue options to purchase KazMinCo Common Shares in consideration of the surrender and cancellation of the outstanding TradeReach options such that, after completion of the Acquisition, the shareholders and optionholders of TradeReach will own and have the right to acquire 50% of the issued and outstanding KazMinCo Common Shares, plus one share (with a right to increase such percentage to a maximum of 60% if certain conditions are met) and the KazMinCo Shareholders will own and have the right to acquire the remaining approximately 50% (40% if certain conditions are met), calculated, in both cases, on a fully-diluted basis. It is a condition of the transaction that, at closing, KazMinCo will have approximately 950,000 in cash, after payment of all costs associated with the transaction.

9. The Mineral Business will be transferred by KazMinCo to ARDS, and the shares of ARDS distributed to the KazMinCo Shareholders, because KazMinCo intends to segregate the Mineral Business from the B2B e-commerce business to provide the KazMinCo Shareholders with the opportunity to maximize the value of their investment in each business and facilitate the ongoing funding of each business.

10. ARDS will be managed and operated in a fashion which will endeavour to realize the maximum value of ARDS' assets.

11. ARDS has applied to have the ARDS Shares listed on the Canadian Venture Exchange ("CDNX") as of the effective time of the Arrangement. KazMinCo has applied to have the

KazMinCo Common Shares and the Amalco Common Shares listed on CDNX and to cease to have the KazMinCo Common Shares listed on the TSE as of the closing of the Acquisition.

12. The Management Information Circular (the "Circular") that will be provided to all KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan, and filed in each of the Jurisdictions in connection with the Arrangement, will contain prospectus-level disclosure of ARDS (including a detailed description of the ARDS Shares) and of TradeReach, which disclosure will ensure that an adequate public information record will exist with respect thereto.

13. The Mineral Business has been the subject of financial and descriptive disclosure on an ongoing basis in KazMinCo's continuous disclosure documents for more than twelve months pursuant to KazMinCo's obligations as a reporting issuer, including disclosure in KazMinCo's interim and annual financial statements, annual reports, annual information forms and management's discussion and analysis. It is intended that pro forma financial statements for ARDS will be included in the Circular.

14. Pursuant to the Acquisition Agreement it was agreed that KazMinCo will not file the Articles of Arrangement to give effect to the Arrangement unless, among other things, it has obtained the decisions requested by this application that ARDS be deemed to be a reporting issuer in each of the provinces of Ontario, British Columbia and Alberta and that the first trade of the ARDS Shares by KazMinCo Shareholders shall not be a distribution under applicable securities legislation.

15. The Arrangement must be approved by the KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan, and by the Superior Court of the Yukon Territory which will consider, among other things, the fairness and reasonableness of the Arrangement to the KazMinCo Shareholders.

16. The KazMinCo Shareholders, will have the right to dissent from the Arrangement under section 195 of the YBCA, and the Circular will disclose full particulars of this right in accordance with applicable law.

17. Exemptions from registration and prospectus requirements of the Legislation in respect of trades made in connection with the Arrangement, and exemptions from prospectus requirements of the Legislation in respect of the first trades in Amalco Common Shares and ARDS shares following the Arrangement, are not otherwise available in all Jurisdictions.

18. ARDS will not be a reporting issuer within the definition of all of the applicable Jurisdictions at the time the Arrangement becomes effective.

19. In respect of the Yukon Territory, a Jurisdiction in which an issuer cannot be deemed to be a reporting issuer under the Legislation, ARDS will, from and after the completion of the Arrangement, make the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer, subject to any exemptive relief granted.

AND WHEREAS under the System, this MRRS Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS 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:

(a) all trades in connection with the Arrangement shall not be subject to the registration and prospectus requirements of the Legislation;

(b) except in Manitoba, the first trade of Amalco Common Shares and the first trade of ARDS Shares acquired by KazMinCo Shareholders in connection with the Arrangement in a Jurisdiction shall be deemed distributions or distributions to the public, as the case may be, under the Legislation of such Jurisdiction except that where:

(i) if such first trade occurs in whole or in part in Ontario, British Columbia, Alberta or Nova Scotia, Amalco or ARDS, as the case may be, is a reporting issuer in such Jurisdiction at the time of such first trade and if the seller is in a special relationship (where such term is defined in the Legislation of such Jurisdiction) with Amalco or ARDS, as the case may be, the seller has reasonable grounds to believe that Amalco or ARDS, as the case may be, is not in default of any requirement of the Legislation of such Jurisdiction;

(ii) no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the first trade; and

(iii) if such first trade occurs in whole or in part in Saskatchewan, Quebec, New Brunswick, Prince Edward Island, Newfoundland, Northwest Territories, the Yukon Territory or Nunavut, such trade is executed through the facilities of a stock exchange located outside such Jurisdiction,

then such a first trade shall be a distribution or distribution to the public, as the case may be, in a Jurisdiction (except Quebec) only if it is from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Amalco or ARDS, as the case may be, to affect materially the control of such company but any holding of more than 20 per cent of the outstanding voting securities of such company shall, in the

absence of evidence to the contrary, be deemed to affect materially the control of such company; and

(c) in Ontario, British Columbia, Alberta and Nova Scotia, that ARDS be deemed to be a reporting issuer as of the effective time of the Arrangement.

DATED at Toronto, this 16th day of August, 2000.

J.A. Geller

R. Stephen Paddon

Headnote

Subsection 74(1) - Application pursuant to Mutual Reliance Review System for Exemptive Relief Applications - Relief granted from registration and prospectus requirement in connection with first trades of a spun off issuer subject to certain conditions.

Section 83.1 - Issuer spun off from a reporting issuer in connection with a plan of arrangement deemed to be a reporting issuer where parent company has been a reporting issuer for more than 12 months and the assets that will make up the business of the spin off issuer (and comprised the core assets of the parent company) have been subject to reporting in the continuous disclosure filings of the parent company. Prospectus level disclosure of the spun off entity to be provided in the information circular.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(5), 74(1), & 83.1.

Business Corporations Act, R.S.O. 1990, c. B.16, as am.

Rules Cited

Rule 45-501 Exempt Distributions