

Citation: 2013 BCSECCOM 269

Notice of Hearing

Robert Launder

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against Robert Launder (Launder) under sections 161, 162 and 174 of the *Securities Act*, R.S.B.C. 1996, c. 418 (Act), based on the following facts:

Background

1. Baja Mining Corp. (Baja) is a BC-Prime reporting issuer that has its securities listed on the Toronto Stock exchange and is quoted on the OTCQX market in the United States. Baja's head office and management are located in Vancouver, British Columbia.
2. Baja's sole asset was a joint venture interest in the Boleo copper mine project located in Baja California Sur, Mexico (Boleo Project).
3. Launder, a mining cost analyst, was the Manager – Project Controls (Manager) for Minera Y Metalurgica Del Boleo S.A. de C.V. (MMB), a subsidiary of Baja, who provided the Baja management team with advice on the Boleo Project.
4. Launder is a resident of Princeton, British Columbia.

Misconduct

Special Relationship

5. In his capacity as Manager and mining cost analyst for the Boleo Project, Launder was integrally involved in the preparation of a cost review for the Boleo Project (Cost Review).
6. Between March 16, 2012, and April 18, 2012, Launder sent and received several email messages regarding the Cost Review. The emails contained various drafts of the Cost Review Report, spreadsheets and communications with other employees involved in the preparation of the Cost Review.

7. The Cost Review ultimately identified a projected cost overrun of approximately \$246 million for the Boleo Project, representing an approximate 35% cost increase for the Boleo Project.
8. Launder was in a special relationship with Baja.

Material Fact

9. On Friday, April 20, 2012, Baja's share price closed at \$0.91.
10. On Monday, April 23, 2012, Baja issued a news release (News Release):
 - (a) disclosing the preliminary results of the Cost Review identifying a projected cost increase of approximately \$246 million for the Boleo Project; and
 - (b) announcing the resignation of three members from the Baja Board of Directors.
11. The News Release had an immediate negative impact on Baja's share price:
 - (a) on April 23, 2012, the date of the News Release, Baja's stock price closed at \$0.57, representing a 37% one day decline from the previous days closing price; and
 - (b) on April 24, 2012, the stock price fell further to \$0.38, a 58% decrease in 2 days.
12. Baja's stock price closed at an average of \$0.45 per share in the five trading days following issuance of the News Release, a decrease of \$0.50 per share compared with the 30-day share price average prior to the News Release.
13. In light of the pending release of the Cost Review, Baja implemented trading blackout periods with respect to Baja shares, including a blackout from April 10, 2012, to April 25, 2012 (Blackout). During the Blackout, insiders and employees of MMB, among others, were prohibited from trading in Baja shares
14. Launder was aware of the Blackout, and as a member of the team that developed the Cost Review, he knew about the cost overruns long before it was disclosed to the public.

Insider trading

15. On April 20, 2012, Launder held 15,000 shares of Baja.
16. On Friday April 20, 2012, the last trading day before the News Release was issued, Launder sold 5000 Baja shares at \$0.92 per share, for proceeds of \$4,600.
17. Based on Baja's five-day average closing share price after the News Release, Launder avoided a loss of approximately \$2,350.
18. Launder attempted to sell his remaining 10,000 shares of Baja on April 20, 2012 at \$0.93 per share, but the shares did not reach that price and the day order expired.

Breach of section 57.2

19. Launder, while in a special relationship with Baja, and with knowledge of the Cost Review before such information was generally disclosed, sold shares of Baja contrary to section 57.2(2) of the Act.
20. Launder's conduct described in this Notice of Hearing is contrary to the public interest.

Orders sought

21. It is in the public interest that the Commission issue orders under sections 161 and 162 of the Securities Act.

Hearing Process

- ¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, January 7, 2014 at 9:00 a.m.** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.
- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

¶ 4 If the respondents or their counsel do not appear at the hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

¶ 5 November 27 , 2013

Paul Bourque

¶ 6 Paul C. Bourque, Q.C.
Executive Director