

2004 BCSECCOM 172

Schedule "A"

Settlement Agreement

Neil Russel Swift

Securities Act, RSBC 1996, c. 418

- ¶ 1 The following settlement of issues has been reached between Neil Russel Swift (Swift) and the Executive Director.

Agreed Statement of Facts

- ¶ 2 As the basis for the undertakings referred to in this settlement, Swift acknowledges the following facts as correct:
1. Priority Ventures Ltd. (Priority) is a reporting issuer in British Columbia and its shares are listed for trading on the TSX Venture Exchange.
 2. Swift has been the President and a Director of Priority since July 1995.
 3. A Cease Trade Order under Section 164 of the Act was issued against Priority on October 31, 2002, for failing to comply with certain filing requirements. The order has not been revoked.
 4. As President and Director of Priority, Swift has had primary responsibility for the company's public disclosure from January 2001 to the present.
 5. Priority issued an Offering Memorandum (OM) dated November 1, 2001, authorizing for sale 2,000,000 units of the company's securities. The Certificate attached to the OM and signed by Swift stated the following:

"The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made."
 6. The OM:
 - (a) Contains projections of gross revenues, net cash flows and net profits from proposed production wells for 2002. The OM does not disclose the fact that by November of 2001, Priority had not done sufficient testing and did not have any gas reserves that would justify a production decision or any financial projections.

2004 BCSECCOM 172

- (b) States that Priority had measured and indicated coal resources of 20 million tons and an inferred coal resource of 90 million tons for its Dove Creek coal licenses. Priority provided a technical report dated November 14, 2002, on the Dove Creek property which indicated that there was, at that time, only 1.3 million tonnes of measured and indicated coal resources and 0.5 million tonnes of inferred coal resources that would be considered of immediate interest. The OM materially overstated Priority's resources.
7. The statements contained in the OM relating to paragraph 6, above, are material misrepresentations and a breach of section 50(d) of the Act by Priority. The information referred to in subparagraph 6(b) is not in compliance with National Policy 43-101. Priority breached section 168.1(1)(b) of the Act because the OM contained material misrepresentations and omissions and pursuant to section 168.2 of the Act, by authorizing, permitting or acquiescing in the breach, Swift also breached section 168.1(1)(b).
8. The November 14, 2002, technical report is not independent. Priority has not filed independent reports for first time disclosure of coal resource estimates as required by sections 4.2 and 5.3 of National Instrument 43-101.
9. Priority raised \$2.6 million and issued 4,560,200 shares through four Offering Memorandums dated November 1, 2001, June 1, 2001, February 28, 2001, and January 25, 2001. The shares were issued with four-month hold periods. Sections 2.5 and 2.6 of Multilateral Instrument 45-102 require that an Annual Information Form be filed in order for an issuer to qualify for a four-month hold period. Priority did not file an Annual Information Form, consequently the shares issued should have been subject to twelve-month hold periods.
10. Between February 26 and April 25 of 2002, Priority issued six news releases that indicated or inferred that commercial gas production would likely commence in the near future and that commercial quantities of gas had been found and would be developed. These news releases were also filed as Material Change Reports. At that time, Priority had no gas reserves and no reasonable prospects for achieving commercial production within the short time frame implied. The statements in the news releases were breaches of sections 50(d) of the Act and, in the case of the Material Change Reports, 168.1(1)(b) of the Act, by Priority. Pursuant to section 168.2 of the Act, by authorizing, permitting or acquiescing in the breaches, Swift breached sections 50(d) and 168.1(1)(b) of the Act.

2004 BCSECCOM 172

11. On August 26, 2002, Priority issued a news release and a Material Change Report which:
- (a) Projected gas resources in excess of 30 billion cubic feet and reported the possible wholesale and retail values of recovered gas. Priority failed to disclose any technical evidence or file any reports to support the gas resource estimates and also failed to disclose that it did not own the gas rights for most of these coal licenses and would therefore not own a large portion of these projected resources. In addition, Priority did not clearly state that the wholesale and retail values of recovered gas are in no way indicative of the potential value of any in-situ gas resources it may own, as these values apply only to the recoverable and deliverable portions of any resource, and do not reflect costs.
 - (b) Disclosed measured and indicated coal resources of 40 million tonnes and inferred resources of 47.5 million tonnes. Based on the information contained in the subsequent November 14, 2002, technical report, which, as noted earlier, was not independent as required by National Instrument 43-101, these figures are material misstatements.

The statements above were breaches of sections 50(d) of the Act and, in the case of the Material Change Reports, 168.1(1)(b) of the Act, by Priority. Pursuant to section 168.2 of the Act, by authorizing, permitting or acquiescing in the breaches, Swift breached sections 50(d) and 168.1(1)(b) of the Act.

12. Swift was an insider of Priority from January 2001 to the present (the Material Time). During the Material Time Swift made changes in his direct or indirect beneficial ownership of, or control or direction over securities of Priority for which he failed to file insider reports as required by section 87 of the Act. Specifically he did not report 149 transactions, in which he disposed of 559,500 shares and acquired 63,500 shares through the facilities of the Exchange and acquired 584,500 shares by exercising options of Priority. This trading represented approximately 5.5% of the trading activity in Priority's stock during the Material Time.

2004 BCSECCOM 172

Mitigating Factors

13. The breaches described in this settlement agreement warrant a significant administrative penalty; however, Swift has represented, and the Executive Director accepts, that Swift is near insolvency and doesn't currently have the ability to pay an administrative penalty.
14. Swift represents, and the Executive Director accepts, that the funds raised pursuant to the Offering Memorandums referred to in this settlement were spent on Priority's projects.

Undertakings

¶ 3 Swift undertakes and agrees as follows:

1. to comply fully with the Act, *Securities Rules*, B.C. Reg. 194/97, and any applicable regulations, policies and guidelines, from the date of this agreement;
2. to not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question; and
3. to pay to the Commission, the sum of \$10,000, which represents the costs of the investigation.

Order

¶ 4 Swift consents to an order by the Executive Director (the Order) that:

1. under section 161(1)(c) of the Act, the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act do not apply to Swift for a period of three years from the date of the Order, except subject to item 2, Swift may rely on section 45(2)(7) of the Act to trade securities through an account at one registrant;
2. under section 161(1)(b)(ii) of the Act, where Swift is an insider of a reporting issuer, that he is prohibited from purchasing and trading any securities of the issuer for three years from the date of the Order; and
3. under section 161(1)(d)(ii) of the Act that Swift is prohibited from becoming or acting as a director or officer of any issuer for the later of:
 - (a) three years from the date of the Order;

2004 BCSECCOM 172

- (b) upon filing accurate insider reports for his trading in the shares of Priority;
- (c) the date he has both successfully completed a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers and filed with the Executive Director evidence that he has successfully completed the course; and
- (d) upon payment in full of the \$10,000 in costs referred to in paragraph 3(3) above.

Waiver

¶ 5 Swift waives any right he may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this agreement.

¶ 6 March 8, 2004

¶ 7 “Neil Swift”)
Neil Russel Swift

“Eileen Boyde”)
Witness Signature)
Eileen Boyde)
Witness Name (please print))
Gen Del Courtenay, BC)
Address)
Housewife)
Occupation)

¶ 8 March 8, 2004

¶ 9 Stephen J. Wilson
Executive Director