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Settlement Agreement

Barry Whelan

Securities Act, RSBC 1996, c. 418

¶ 1 The Executive Director has settled the following issues with Barry Whelan.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, and solely for securities regulatory purposes, Whelan acknowledges the following facts as correct:

Background

1. Canadian Metals Exploration Ltd. (now Hard Creek Nickel Corp.) (the Company) was incorporated under the laws of British Columbia, is a reporting issuer under the *Securities Act*, R.S.B.C. 1996, c. 418 (the Act), and has its head office in British Columbia.
2. The shares of the Company are listed on the TSX Venture Exchange (the Exchange).
3. The Company describes itself as a natural resource company engaged in the evaluation, acquisition and development of resource properties. Its current focus is the Turnagain Nickel Project (the Project), which is an exploration-stage nickel property located in northern British Columbia.
4. Whelan was a director of the Company at all times material to this settlement agreement. He was president of the Company from May 2001 until July 2002, and from October 2003 to January 2004. He is currently chief operating officer of the Company.
5. Yvonne Cole was a director and the corporate secretary of the Company at all times material to this settlement agreement. She is no longer a director or officer of the Company.
6. Stewart Jackson was a director of the Company at all times material to this settlement agreement. He was president of the Company from July 2002 to October 2003. He is no longer involved with the Company in any way.

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7. Between December 2001 and May 2002, Commission staff (the Staff) conducted a review of the Company's continuous disclosure (the Initial CD Review).
8. Between March 2003 and July 2003, the Staff conducted a follow-up review of the Company's disclosure (the Follow-Up CD Review). There were a number of problems with the Company's continuous disclosure, details of which are set out below.

Failure to file technical report

9. The Company filed an Annual Information Form dated July 15, 2002 (the AIF) that included material information on the Project.
10. The Company breached section 4.2(1) 6 of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) by failing to file a current technical report to support the information on the Project in the AIF.

Failure to disclose qualified person

11. The Company's website as of May 8, 2003 (the Website) contained extensive disclosure of a scientific or technical nature.
12. The Website did not identify and disclose the relationship to the Company of the qualified person, as defined in NI 43-101, who prepared or supervised the preparation of the technical report or other information that formed the basis for the disclosure. Accordingly, the Company breached section 3.1 of NI 43-101.

Improper disclosure of exploration target

13. The Company made various statements on the Website that the Project had the potential to contain 250 million tonnes of bulk tonnage nickel and platinum group metals (PGM). This potential was increased in subsequent statements to approximately 1 billion tonnes (the Bulk Tonnage Statements).
14. The Bulk Tonnage Statements violated section 2.3(2) of NI 43-101 because:
 - (a) they did not disclose the potential quantity and grade of the deposit as ranges,
 - (b) they did not include proximate statements that:
 - (i) the potential quantity and grade was conceptual in nature,

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- (ii) there had been insufficient exploration to define a mineral resource on the Project,
- (iii) it was uncertain if further exploration would result in discovery of a mineral resource on the Project, and
- (c) they did not disclose the basis on which the potential quantity and grade was determined.

Misleading Statements

15. The Company made the following statements:

- (a) In its December 18, 2002 press release and on the Website, the Company made various statements ascribing “in-situ” values for the metals found in selected intersections of holes drilled at the Project, and on the Website, compared these values to operating costs and in-situ values for unrelated producing mines.
- (b) In its December 18, 2002 press release, on the Website and in its Management Discussion and Analysis (MD&A) for the year ended December 31, 2002, the Company stated or implied that there are significant amounts of PGM and certain other metals at the Project.
- (c) On the Website and in the AIF, the Company frequently summarized previous assay or drill results by reporting only the highest or best values.
- (d) On the Website and in the AIF, the Company frequently stated or implied that there is widespread mineralization of economic significance over large areas and in most or all of the drill holes on the Project.
- (e) On the Website and in its MD&A for the period ended December 31, 2001, the Company stated or implied that metals could be economically recovered from the Project, that the Project would likely be economically viable and that the Project would likely support a future mining operation on a specific scale over a projected minimum timeframe.
- (f) On the Website and in the AIF, the Company stated that “The propensity to discover massive sulphides over significant widths is probable”.
- (g) On the Website and in the AIF, the Company stated that there was significant infrastructure at or near the Project that would make the development of a mine more attractive

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(together, the Statements).

16. In making many of the Statements, the Company relied on technical reports it obtained in 2000 that did not comply with NI 43-101.
17. In a material respect and in light of the circumstances in which they were made, the Statements were misleading, or omitted facts or information that were necessary to make them not misleading, because:
 - (a) they overstated the nature, grade and extent of the mineralization, the likelihood of success, the overall stage of development of the Project, and the context and relevance of the conceptual economic analysis, and
 - (b) they did not adequately disclose the steps the Company would need to successfully complete to prove an economic deposit, the risks and likelihood that an economic deposit would not be found or, if found, that it could not be developed.
18. To the extent the Statements were made in records that were required to be filed under the Act or the regulations, the Company breached section 168.1(1)(b) of the Act.

Previous Warnings

19. During the Initial CD Review, the Staff advised the Company that certain statements similar to the Statements were inappropriate, in response to which the Company agreed not to make them. Despite this specific and relevant advice, the Company made the Statements.

Misconduct relating to Company Website

20. During the course of both the Initial CD Review and the Follow-Up CD Review, the Staff asked the Company to correct its website, in response to which the Company voluntarily shut it down. Following both reviews, the Company reactivated its website without correcting the problems or informing Staff.

False statements about four-month hold period

21. Between July 16, 2002 and May 22, 2003, the Company distributed approximately 5,012,734 shares and 3,117,888 share purchase warrants to approximately 85 purchasers.

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22. In various Reports of Exempt Distribution in BC Form 45-902F, the Company stated that it was eligible to distribute securities with a four month hold period (the 45-902F Statements).
23. The Company was not a “qualifying issuer” as defined in Multilateral Instrument 45-102 *Resale of Securities* (MI 45-102), because:
 - (a) it had not filed a technical report with its AIF in accordance with NI 43-101, and
 - (b) with respect to 565,810 shares and 282,905 share purchase warrants distributed on May 22, 2003, it had received written notice from Staff that its current AIF was unacceptable.
24. Since the Company was not a qualifying issuer for the purposes of MI 45-102, it was only eligible to distribute securities with a 12 month hold period.
25. The 45-902F Statements were false in a material respect and at the time and in light of the circumstances in which they were made. Accordingly, the Company breached section 168.1(1)(b) of the Act.

Whelan’s Role

26. Whelan is primarily an expert in oil and gas, and did not draft the Company’s mining technical disclosure. He was not involved in re-posting the Company’s website after it was shut down, nor was he involved in preparing any of the private placements.
27. As a director and officer of the Company, Whelan was obliged to ensure that it complied with the provisions of the Act and NI 43-101 described above. Accordingly, under section 168.2 of the Act, Whelan breached the Act and NI 43-101.

Mitigating Factors

28. Whelan relied significantly on Jackson for the content of the Company’s mining technical disclosure.

Undertakings

¶ 3 Whelan undertakes:

1. to comply with the Act and regulations, including NI 43-101,

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2. not to act as a director of a public company until he successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers of public companies,
3. not to prepare or disseminate mining disclosure for 2 years except under the supervision of a director,
4. to pay the Commission the sum of \$5,000, representing a portion of the costs of the investigation, and
5. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Waiver

¶ 4 Whelan 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 settlement.

¶ 5 December 24, 2004

“Barry Whelan”

¶ 6 Barry Whelan

“H. Roderick Anderson”)
Witness)
H. Roderick Anderson)
Name)
607-808 Nelson Street)
Address)
Vancouver, BC V6Z 2H2)
Barrister & Solicitor)
Occupation)

¶ 7 December 24, 2004

“Lang Evans”

¶ 8 Lang Evans
Acting Executive Director