



British Columbia Securities Commission

Citation: 2015 BCSECCOM 385

Settlement Agreement

James Francis (J. Frank) Callaghan

Securities Act, RSBC 1996, c. 418 (the Act)

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and James Francis Callaghan (Callaghan) agree as follows:

Agreed Statement of Facts

Background

1. Callaghan is a British Columbia resident, and former officer and director of Barkerville Gold Mines Ltd. (Barkerville). Callaghan has never received any formal training as an engineer or geologist.
2. Barkerville is a reporting issuer in British Columbia with its shares listed for trading on the TSX Venture Exchange.
3. Callaghan was Barkerville's president, chief executive officer and a director from February 1991 until he resigned as president and chief executive officer in July 2014, and as director in February 2015.

Barkerville's prior mineral resource disclosure and retraction

4. On June 28, 2012, Barkerville disclosed mineral resource estimates and a target for further exploration on a material mineral property in a news release. On August 13, 2012, Barkerville filed an independent technical report (the Initial Report) with the British Columbia Securities Commission (the Commission) disclosing similar estimates and targets (together with the news release, the Initial Estimates).
5. Commission staff determined that the Initial Report did not comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101).
6. On August 14, 2012, the Executive Director issued a cease trade order over Barkerville's securities, and required Barkerville to file a revised compliant technical report, prepared by another independent qualified person under NI 43-101 acceptable to Commission staff, prior to revocation.



7. Barkerville engaged a new independent consulting firm to review the Initial Estimates, calculate an independent mineral resource, and co-author a revised technical report. Barkerville also engaged a second new independent consulting firm to review the exploration targets and co-author a revised technical report.
8. On June 18, 2013, Barkerville filed a revised technical report (the Revised Report) with reduced mineral resource estimates and targets for further exploration (the Revised Estimates). The Revised Estimates were reduced in size and confidence as set out below:

Figures in millions of ounces	INITIAL ESTIMATES			REVISED ESTIMATES
	News Release	Initial Report		
		Uncapped	Capped	
Indicated Mineral Resources	10.6	6.6	4.2	1.04
Inferred Mineral Resources	N/A	5.7	3.2	3.94
Exploration Targets	65-90	40-90		9-27

- (a) The indicated mineral resource included in the Revised Estimates was less than 25% of the capped indicated mineral resource estimate included in the Initial Report, and less than 10% of the indicated mineral resource initially disclosed in the news release.
 - (b) The inferred mineral resource composed nearly 80% of the Revised Estimates, as opposed to the Initial Estimates, which had been mostly composed of indicated mineral resources in the Initial Report.
 - (c) The Revised Estimates were based on the application of Multiple Indicator Kriging, which unlike linear methods, recognizes that high grades have less grade continuity than lower grades.
9. After filing the Revised Report in support of the Revised Estimates, Barkerville issued a news release on June 18, 2013 adopting the Revised Estimates, and retracting the Initial Estimates as follows:

“The Company has adopted the [Revised Estimates] as the only current resource estimate on the [property]. Previous estimates disclosed by the Company on the [property] should not be relied upon.”

...



“The Company advises exploration targets disclosed in the June news release and the [Initial Report] should not be relied upon.”

10. The Executive Director revoked the cease trade order on July 15, 2013.

Callaghan disclosed and justified the Initial Estimates contrary to NI 43-101

11. Two and a half months after Barkerville adopted the Revised Estimates and retracted the Initial Estimates, Callaghan publicly repeated, and attempted to justify, the Initial Estimates in an online article, and at an investor presentation.
12. On October 1, 2013, the Financial Press published an online article wherein Callaghan is quoted:
 - (a) disclosing the combined “capped” resource estimate from the Initial Report without differentiating between inferred and indicated mineral resources;
 - (b) disclosing the combined Revised Estimates without differentiating between inferred and indicated mineral resources;
 - (c) comparing the combined “capped” estimate with the combined Revised Estimates and opining that the numbers are “not far apart”, and that the author of the Initial Report “was really vindicated” by the Revised Report; and
 - (d) disclosing the exploration target from the Initial Estimates and attempting to justify the original target by explaining that the “area of interest was reduced by half”, and stating; “if you do the math, the favorable area could be a lot larger”.
13. Callaghan participated in drafting the Financial Press article, and disseminated the article on behalf of Barkerville in an October 4, 2013 news release.
14. On November 5, 2013, Callaghan made an investor presentation on behalf of Barkerville in Zurich, Switzerland. The presentation was recorded and made available to the public on the conference organizer’s website. In his presentation, Callaghan states:



- (a) “We’ve just gone through a bit of a learning curve with the BC Securities Commission. Just to bring some of those - - of you that do not know what’s going on, we’ve been through a trading hiatus for 14 months. The initial estimate that was initially published suggested that we had an indicated resource of some 10.6 million ounces. ... with a potential on - - within an eight kilometer long range of somewhere between 65 and 90 million ounces.”
 - (b) “We brought in [the new independent consulting firm] to do a complete audit of the work that had been done by the ... [initial consultant] ... What’s not published [in the Revised Report] is that [the new independent consulting firm’s] initial resource estimate was 500,000 ounces higher than [the initial consultant’s resource estimate] when they did the audit.”
 - (c) “[the initial consultant’s] constrained and cap number was 7.4 in the initial estimate, the combined numbers between indicated and inferred by the [new independent consulting firm] was 5 million ounces.”
 - (d) “[the new independent consulting firm] felt that the numbers were fine on the potential of the targets. The Commission was not satisfied with that, and they said, what we’d like you to do is we’d like you to reduce the amount, so you can only use a target potential on the Island Mountain portion of the property. There can be no target potential on Cow Mountain, as there’s no workings below the 2,000 level, and as you’ve only got one adit in here, which was put in by the old-timers, we’ll let you only go to a depth of ... - - actually, 1,000 feet there.”; and
 - (e) compares the exploration target from the Revised Estimates to the exploration target from the Initial Estimates, and notes that “the distances have been cut in half ... So, if you sort of put it back to what the old model was, you’re back to the lower threshold” of the Initial Estimates.”
15. The new independent consultant’s audit of the Initial Estimates verified the mathematical calculations used by the initial consultant, and did not constitute a “resource estimate” as Callaghan stated.



16. The Revised Report did not include a target for further exploration on a large portion of the area included in the Initial Report because there was insufficient exploration data to support a target for further exploration on that portion of the property. The area was not reduced because Commission staff wanted Barkerville to “reduce the amount” as Callaghan suggested.
17. Disclosing combined resource estimates that include inferred mineral resources is prohibited by NI 43-101. Inferred resources are significantly less reliable than indicated and measured mineral resource estimates.
18. Disclosing and comparing the combined capped estimate from the Initial Report with the combined Revised Estimates is misleading in the circumstances given the significant proportional decrease in the indicated mineral resource component of the Revised Estimates.
19. Callaghan’s statements on behalf of Barkerville in the Financial Press article, and at the Zurich conference contravened:
 - (a) 2.3(1)(a) of NI 43-101 by disclosing, and treating as valid, the mineral content of a deposit that is not categorized as a mineral resource or reserve; and
 - (b) 2.2(b)&(c) of NI 43-101 by failing to disclose the Revised Estimates using each category of mineral resources, and adding inferred mineral resources to the indicated mineral resources.
20. Callaghan’s statements in breach of NI 43-101 were aggravated by the following facts:
 - (a) while Barkerville was revising its technical report to revoke the cease trade order, Commission staff cautioned Barkerville, through Callaghan and counsel, that any disclosure by the company that appears to justify, validate or compare the Initial Estimates to the Revised Estimates is misleading and likely contrary to section 2.3(1) of NI 43-101;
 - (b) in the process of revising Barkerville’s technical report, the new independent consultant advised Callaghan that its audit of the calculation of the Initial Estimates did not constitute a “mineral resource”, and should not be referred to as such;



- (c) Callaghan's attempts to validate the Initial Estimates contradicted Barkerville's previous disclosure, which adopted the Revised Estimates as the only current estimate on the property; and
- (d) Callaghan understood that disclosing combined inferred and indicated resource estimates was prohibited.

Public Interest

- 21. Callaghan's conduct described in this Settlement Agreement is contrary to the public interest.
- 22. It is in the public interest that the Executive Director issue orders under section 161 of the Act.

Undertakings

- 23. Callaghan undertakes to:
 - (a) complete a course of study acceptable to the Executive Director on the requirements of NI 43-101 within one year of the date of this settlement agreement; and
 - (b) pay \$30,000 to the British Columbia Securities Commission in respect of settlement of this matter which sum is due and payable immediately without further demand.

Order

- ¶ 2 The Executive Director will issue an order (the Order) that:
- 1. under section 161(1)(d)(i), Callaghan immediately resign any position he holds as officer or director of a reporting issuer;
 - 2. under section 161(1)(d)(ii), Callaghan is prohibited from becoming or acting as a director or officer of a reporting issuer for one year from the date of the Order; and
 - 3. under section 161(1)(d)(v), Callaghan is prohibited from engaging in investor relations activities for one year from the date of the Order.

Consent to Regulatory Orders

- ¶ 3 Callaghan consents to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the Orders set out in paragraph 2 above.



Waiver

¶ 4 Callaghan 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.

Counterpart

¶ 5 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 6 October 22, 2015

James Francis Callaghan

¶ 7 _____
James Francis (J. Frank) Callaghan

H. Roderick Anderson

_____)
Witness Signature)
H. Roderick Anderson)
Witness Name (please print))
3200 Vancouver Centre,)
650 West Georgia Street,)
Vancouver BC, V6B 4P7)
Address)
Lawyer)
Occupation)

¶ 8 October 22 , 2015

Paul Bourque

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