BC Securities Commission
Invest Right

1200–701 West Georgia Street
Vancouver, BC V7Y 1L2
www.bcsc.bc.ca

Phone 604 899 6500
Toll-free 1 800 373 6393
inquiries@bcsc.bc.ca

BRITISH COLUMBIA SECURITIES COMMISSION
Securities Act, RSBC 1996, c. 418

Citation: Re Michael Derek Townsend 2026 BCSECCOM 198 Date: 20260615

Notice of Administrative Penalty

Michael Derek Townsend

Section 162.01 of the Securities Act, RSBC 1996, c. 418

Summary of Alleged Contraventions and Conditional Findings

1. Staff submitted a report (the Report) alleging that Michael Derek Townsend contravened section 3.3 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (NI 55-104) between October 5, 2020 to June 30, 2024 (the Relevant Period) by failing to file timely insider reports for 528 transactions in the shares of four reporting issuers with a total reported value of $1,568,265. Staff recommended that I impose an administrative penalty under section 162.01 of the Act in the amount of $65-75,000.

2. Based on the information in the Report, and subject to Townsend's right to dispute the allegations or amount of the penalty under section 162.04, I consider that:

- Townsend has contravened section 3.3 of NI 55-104; and
- It is in the public interest to require Townsend to pay an administrative penalty of $70,000.

Background

3. Townsend is a resident of British Columbia.

4. Since October 2020, Townsend has been a director of the following reporting issuers:

Reporting Issuer	Period
Altus Copper Corp. (formerly Plantable Health Inc.)	March 31, 2023 – Present
Infinity Stone Ventures Corp.	April 26, 2022 – December 22, 2023

Magma Silver Corp. (formerly African Energy Metals Inc., Central African Gold Inc., and Bankers Cobalt Corp.)	August 26, 2020 – June 30, 2023 May 7, 2025 – Present
Scorpio Gold Corporation	February 23, 2024 - Present

Law

5. Part 3.3 of NI 55-104 requires a reporting insider to file reports for each transaction as follows:

> Subsequent report – A reporting insider must within five days of any of the following changes file an insider report in respect of a reporting issuer disclosing a change in the reporting insider's
>
> > (a) beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer, [...]
>
> NI 55-104 *Insider Reporting Requirements and Exemptions* (Effective February 1, 2017 – July 25, 2023)
> NI 55-104 *Insider Reporting Requirements and Exemptions* (Effective July 25, 2023)

6. Part 1.1 of NI 55-104 defines a "reporting insider" to include "an insider of a reporting issuer if the insider is [...] a director of the reporting issuer [...]".

7. Section 1(1) of the Act defines "insider" to include a director of an issuer.

> *Securities Act, s. 1(1)*

Application of Law to Facts

8. Townsend was a director of each of the reporting issuers for the time periods set out above. As a result, he was a "reporting insider" during those times.

9. Based on a staff affidavit that compiled information drawn from Townsend's filings as of July 14, 2025 on the System for Electronic Disclosure by Insiders (SEDI), during the Relevant Period, Townsend entered into 739 transactions that changed his beneficial ownership of, or control or direction over, the above reporting issuers' securities.

10. Townsend failed to file insider reports for 528 of those 739 transactions within the 5-day period required under Part 3.3 of NI 55-104. Those 528 transactions had a reported value of $1,568,265. The following table contains a breakdown of the late-reported transactions by issuer:

Reporting Issuer	Time Period	Total Trans	Late-reported	Value of Late-reported Trans
Altus Copper Corp. (formerly Plantable Health Inc.)	Mar 31, 2023 – July 20, 2023	19	9 (47%)	2,295
Infinity Stone Ventures Corp.	Apr 26, 2022 – Dec 18, 2023	257	125 (49%)	831,239
Magma Silver Corp. (formerly African Energy Metals Inc., Central African Gold Inc., and Bankers Cobalt Corp.)	Oct 5, 2020 – Mar 29, 2023	417	364 (87%)	711,208
Scorpio Gold Corporation	Mar 28, 2024 – Jun 27, 2024	46	30 (65%)	23,523
TOTALS:		**739**	**528 (71%)**	**1,568,265**

11. Of the 528 transactions reported late, 223 (42%) were reported after March 10, 2025. All but one were acquisitions.

12. Based on the law as stated above and the facts set out in staff's report, I consider that Townsend has contravened section 3.3 of NI 55-104 during the Relevant Period by failing to file timely insider reports for 528 transactions in the shares of four reporting issuers with a total reported value of $1,568,265.

Administrative Penalty

Law

13. Since I have found that Townsend contravened NI 55-104, I must consider whether it is in the public interest to require him to pay an administrative penalty, and if so, what amount is appropriate in the circumstances considering the factors set out below from section 162.02(1) of the Act. Penalties are protective and preventative and intended to prevent future harm. They can address general as well as specific deterrence and must be proportionate and reasonable.

14. In addition, when assessing insider reporting failures, the Commission has identified the following factors as relevant:

- the volume of shares in the unreported trades compared to total trading in the stock,
- the number of unreported trades,
- the duration of the non-compliance,
- whether the respondent disclosed and rectified the deficiencies voluntarily,
- the respondent's subsequent conduct,
- the respondent's previous disciplinary history,
- the respondent's cooperation with the Commission staff investigation, and
- the presence of any aggravating factors.

Orr 2001 BCSECCOM 1106 at para. 23

15. Staff submitted that it would be in the public interest to require Townsend to pay an administrative penalty in the range of $65-75,000.

Past Conduct

16. In May 2007, Townsend entered into a settlement agreement with the executive director for failing to report 79 insider transactions in two reporting issuers. All but one of the transactions occurred through an offshore corporate trading account. Townsend agreed to pay $40,000 plus late fees of $1,250 and consented to one-year market conduct bans for his contraventions.

Townsend 2007 BCSECCOM 301

17. Between November 20, 2020 and November 1, 2024, staff issued Townsend 15 invoices for $8,650 in late reporting fees. Townsend only received the first five of them for $1,650 at the time, and paid them.

18. On March 10, 2025, staff notified Townsend of discrepancies in his insider reporting record identified through a trading review. Over the following eight weeks, Townsend late-filed reports for an additional 223 transactions that occurred during the Relevant Period. Townsend's late filings generated two further late fee assessments totaling $7,050, which he did not receive at the time.

19. Since bringing his insider reporting up to date in response to staff's trading review, the Commission has assessed a further $300 in late reporting fees for eight transactions that occurred after the Relevant Period.

20. Townsend has paid all $15,650 in late-fee assessments relating to the allegations in this matter.

Seriousness of the Conduct

21. As I said in *Doroudian*:

> The insider reporting regime is important because it deters insider trading and provides investors with valuable information about insiders' views on their companies' prospects. Timely reporting is particularly important in the case of active trading by insiders.
>
> *Doroudian 2025 BCSECCOM 117* at para. 24

22. There is no evidence that Townsend has been hiding his transactions from the market, that he benefited from late reporting, or that there was any specific harm to investors.

23. On the other hand, Townsend's contraventions happened over a period of almost four years and relating to four reporting issuers. In addition to the 305 transactions, he reported late on his own, there were 223 more he did not report until staff's trading review identified discrepancies.

24. The repeat nature of his contraventions makes his conduct more serious.

25. Townsend asserted that over 95% of his late-reported trades were acquisitions in which he incurred considerable losses. I agree with staff that while significant selling might be of more interest to some shareholders, the nature and timing of purchases is also important information for investors. It indicates who is supporting the market and to what extent. The fact that Townsend was buying and incurring losses does not meaningfully reduce the seriousness of the contraventions.

Mitigating Factors

26. I do not consider the fact that Townsend was mostly buying and incurring losses to be a mitigating factor. There are none in this case.

Demonstrating Consequences for, and Deterring, Inappropriate Conduct

27. The factors in subsections 162.02(1)(d) and (e) can be considered together.

28. A past settlement and late fees have not sufficiently deterred Townsend from filing late. More significant consequences are needed to encourage him to comply and for specific and general deterrence and to demonstrate to the market that there are consequences for repeated non-compliance.

Past Orders in Similar Circumstances

29. Staff provided a table of precedent decisions and settlements for late insider reporting cases drawn from my decision in *Doroudian*, cited above. I agree with staff that the most relevant precedents are *Doroudian* and *Penn* 2021 BCSECCOM 472, which can be compared to Townsend's contraventions in the following table:

	Time Period	**Late-Filed Trans-actions**	**Value of Trans-actions**	**Other Relevant Facts**	**Total Payable (fees and penalty)**
Townsend	45 months	528	$1,568,010	Prior settlement for insider reporting contraventions involving offshore account	Has paid $15,650 in late fees

Doroudian	55 months	624	$986,398	Unpaid late-fees	$73,050 ($50,000 penalty plus $23,050 in late-fees)
Penn	36 months	425	$1,155,947	Paid late-fees Additional early warning and disclosure contraventions Former registrant	$84,100 ($75,000 penalty plus $9,100 in late fees)

Analysis

30. Of the two precedents, I see Townsend's situation as closest to *Penn*. The time period, number of contraventions and reported value of transactions is higher in this case. Townsend has a prior contravention but *Penn* involved other contraventions and a former registrant. To the credit of the respondents, late fees were paid in both cases. Townsend's total payment should be comparable to the total amount paid in *Penn*.

31. Given Townsend's past settlement and the further contraventions occurring after Townsend corrected his filings, the penalty should be significantly higher than the $41,250 that Townsend paid in 2007 (which was in conjunction with one year market conduct bans).

32. Taking into account the law and the above analysis of the relevant factors, I consider that a penalty of $70,000 is appropriate.

Requirement to Pay or Dispute the Administrative Penalty

33. Under section 162.01 of the Act, and subject to Townsend's right to dispute the alleged contraventions or penalty amount under section 162.04 of the Act, I consider it in the public interest to require Townsend to pay a total administrative penalty of $70,000 for the alleged contraventions.

34. Under section 162.04(1) of the Act, by July 31, 2026, Townsend must:

- pay the administrative penalty; or

- give me written notice requesting an opportunity to be heard to dispute the alleged contraventions or the amount of the administrative penalty.

35. Under section 162.04(2.1) of the Act, Townsend will be deemed to have contravened section 3.3 of NI 55-104, and the administrative penalty set out in this notice will be payable to the commission, if Townsend:

- pays the administrative penalty; or
- fails to pay the full amount of the administrative penalty, or request an opportunity to be heard to dispute the alleged contraventions or the amount of the administrative penalty, by July 31, 2026.

June 15, 2026

Peter J. Brady
Executive Director