

2005 BCSECCOM 738

Schedule A

Settlement Agreement

Paula Marie Poe

Securities Act, RSBC 1996, c. 418

¶ 1 Paula Marie Poe (Poe) has settled the following issues with the Executive Director.

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, Poe acknowledges the following facts as correct:

Background

1. China Diamond Corporation (China Diamond), formerly named Pan Asia Mining Corp., is a company that was registered to do business in British Columbia on November 25, 1997. China Diamond is a reporting issuer in British Columbia and its shares are listed for trading on the TSX Venture Exchange.
2. Poe was a director of China Diamond from July 1997 to June 2000.
3. A Cease Trade Order (CTO), under section 164 of the *Securities Act, RSBC 1996, c. 418*, was issued against Poe on January 8, 2002, for failure to file accurate insider reports for the period February 1999 to June 2000, as required by section 87 of the Act.
4. In January 2002, Poe filed amended insider reports disclosing her trading in the shares of China Diamond from February 1999 to June 2000, including previously undisclosed trades in China Diamond securities made through an account held by her. The CTO was revoked on January 18, 2002.
5. The amended insider reports included 148 previously undisclosed transactions in China Diamond securities, including open market acquisitions of 62,884 shares and dispositions of 4,018,685 shares, and the acquisition of 3,955,801 shares through the exercise of stock options and warrants. The open market acquisitions and dispositions represented approximately 6.3% of the market trading volume of China Diamond's stock for that time period.

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6. In June 2000, Poe ceased to be a director of China Diamond but remained a senior officer, and was an insider of China Diamond because she was one of the five highest paid employees of China Diamond. In 2001, Poe received \$102,000 in management fees. In 2002, Poe received \$90,000 in management fees.
7. From July to December 2000, Poe was granted 1,275,000 stock options, in 2001 she was granted 3,680,000 stock options and in 2002 she was granted 1,728,497 stock options. In total, from July 2000 to January 2003, Poe was granted 6,683,497 stock options in China Diamond, the highest number of stock options granted to any China Diamond insider.
8. From July 2000 to February 2003 Poe traded securities of China Diamond but failed to file insider reports because she was unaware that she was a senior officer and an insider.
9. Under section 164 of the Act, China Diamond was cease traded on January 24, 2003 (January 24 Order) for various filing deficiencies.
10. In February 2003, at the request of the Commission, Poe filed insider reports disclosing all of her trading in the shares of China Diamond from July 2000 to February 2003.
11. These insider reports included 150 previously undisclosed transactions in China Diamond securities. This included open market acquisitions of 389,001 shares and dispositions of 11,051,588 shares, and the acquisition of 8,313,588 shares through the exercise of stock options. The open market acquisitions and dispositions represented approximately 7.6% of the market trading volume of China Diamond's stock for that time period.
12. On March 14, 2003, under section 171 of the Act, the January 24 Order was partially revoked in order to permit China Diamond to resume trading; however, Poe and others remained prohibited from trading securities of China Diamond.
13. On April 2, 2003, Poe initiated the opening of a brokerage account at First Associates Investments Inc. (First Associates and the First Associates Account) in the name of an individual who was intermittently employed by the Poe family in various domestic capacities (Employee).

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14. In April 2003, Poe also initiated the opening of an account in the Employee's name at the Bank of Montreal (Bank of Montreal Account). At Poe's request, the Employee provided Poe with pre-signed blank cheques and the bankcard for the account. The Employee did not have access to the account.
15. Poe advised the Employee that the First Associates Account and the Bank of Montreal Account were for Poe's daughter's use.
16. From April 2, 2003, to August 26, 2003, 1,020,249 shares of China Diamond, including shares that had been originally issued to insiders or consultants of China Diamond, were deposited to the First Associates Account and subsequently sold (China Diamond Trades).
17. From April 3, 2003 to August 26, 2003, \$59,650, the proceeds of the China Diamond Trades, were electronically transferred from the First Associates Account to the Bank of Montreal Account. The bulk of these funds were spent on various personal expenses of the Poe family.
18. On August 26, 2003, the Executive Director issued a second partial revocation of the January 24 Order. This order permitted Poe to trade securities of China Diamond but only in her personal account through one registered dealer.
19. On August 28, 2003, a China Diamond share certificate for 1.6 million shares was transferred from Poe to the Employee and then deposited to the First Associates Account (China Diamond Transfer).

Breaches

20. Poe breached section 87 of the Act by failing to file timely, accurate insider reports in the proper form, disclosing her trading in China Diamond, from February 1999 to February 2003.
21. Poe breached the January 24 Order as follows:
 - (a) by participating in the China Diamond Trades; and
 - (b) by participating in the China Diamond Transfer. In particular, by opening the First Associates Account and subsequently allowing the share certificate for 1.6 million shares to be deposited and sold.

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22. Poe's conduct as described in this settlement was contrary to the public interest.

Undertakings

¶ 3 Poe undertakes and agrees to:

1. pay to the British Columbia Securities Commission, upon execution of this settlement, the sum of \$25,000; and
2. not say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

Order

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

1. under section 161(1)(b) of the Act, Poe cease trading in and be prohibited from purchasing any securities for a period of five years from the date of this Order; except that Poe may trade in one account in her own name through a registered dealer if Poe provides the registered dealer with a copy of this Order before any trade takes place;
2. under section 161(1)(d)(i) and (ii) of the Act, Poe resign any position she holds as a director or officer of any issuer and be prohibited from becoming or acting as a director or officer of any issuer from the later of five years from the date of this Order and the date by which she has completed a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers; and
3. under section 161(1)(a) of the Act, Poe comply fully with the Act, the Securities Rules, BC Reg. 194/97 and all applicable regulations, policies and guidelines.

Consent to Reciprocal Orders

¶ 5 Poe consents to any securities regulator anywhere relying on the facts admitted in this settlement to make orders against her.

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Waiver

¶ 6 Poe waives any right she 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.

¶ 7 November 21, 2005

“Paula Poe”

¶ 8 Paula Marie Poe

“Nataline Marie Poe”)

Witness Signature)

Nataline Marie Poe)

Witness Name (please print))

58 Lions Brewery, Ontario)

Address)

Student)

Occupation)

¶ 9 December 13, 2005

“Brenda Leong”

¶ 10 Brenda M. Leong
Executive Director