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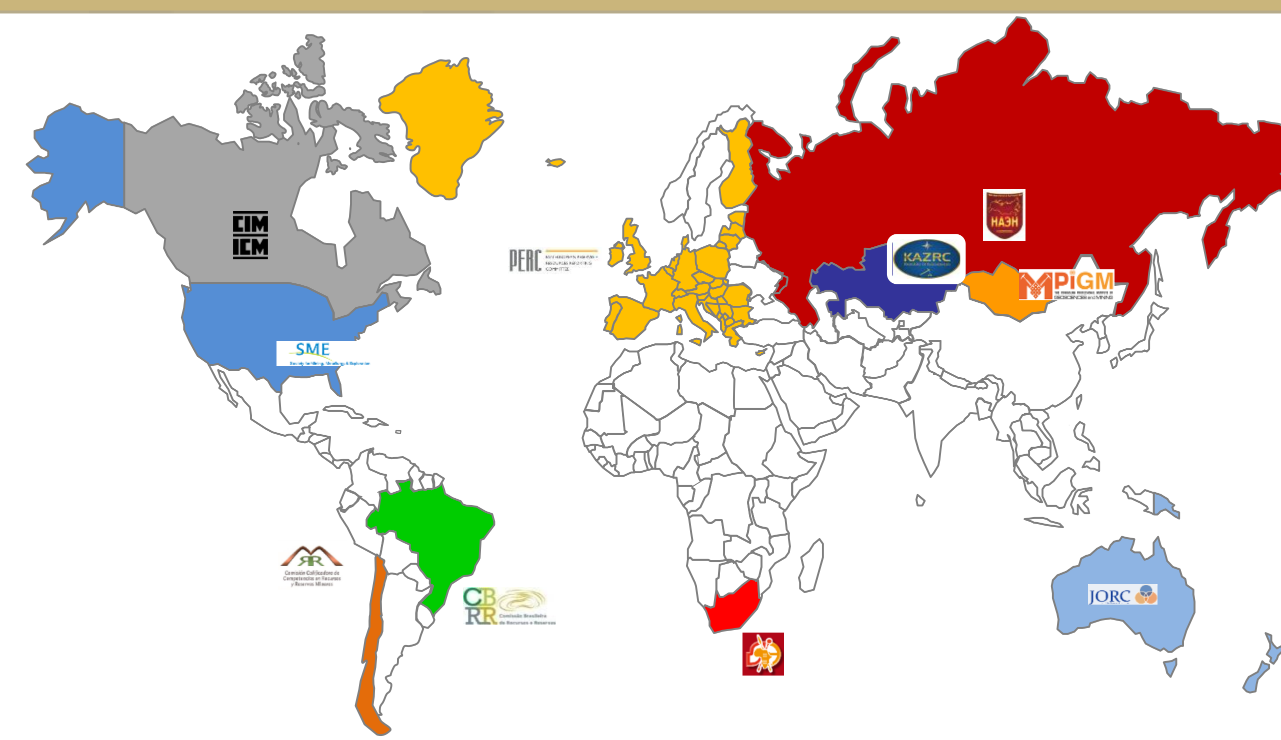
Code of Ethics and Disciplinary Action



Harry Parker, Past Chairman, CRIRSCO
Ankara, 25 August 2017

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SME Code of Ethics (1 of 2)

- The first responsibility and the highest duty of members shall at all times be the welfare, health and safety of the community
- Members shall act so as to uphold and enhance the honor, integrity and dignity of the profession
- Members shall perform work only in their areas of competence
- Members shall build their professional reputation on merit and shall not compete unfairly
- Members shall apply their skill and knowledge in the interests of their employer or client for whom they shall act, in professional matters, as faithful agents or trustees

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SME Code of Ethics (2 of 2)

- Members shall give evidence, express opinions or make statements in an objective and truthful manner and on the basis of adequate knowledge
- Members shall continue their professional development throughout their careers and shall actively assist and encourage those under their direction to advance their knowledge and experience
- Members shall comply with all laws and government regulations relating to the mineral industries, and with the rules, regulations and practices as established and promulgated by the U.S. Securities and Exchange Commission and other comparable regulatory authorities in other jurisdictions with respect to the official listing requirements for mining and other companies

SME Disciplinary Procedure

- Complaint is referred to Ethics Committee
- Ethics Committee conducts an investigation
- Member is informed of complaint and hearing is scheduled
- Hearing takes place
- Ethics Committee determines whether Ethics Code has been violated by clear and convincing evidence; if not there is no further action
- If there is clear and convincing evidence Ethics Committee may:

- Warn or reprimand the member
- Suspend membership for period of not more than 12 months
- Expel the member

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SME Disciplinary Procedure - Notes

- Findings by courts, government agencies, stock exchanges constitute clear and convincing evidence, but member can seek to rebut the finding
- Suspensions or Expulsions must be approved by SME Executive Committee
- Member may appeal a decision of the Ethics Committee to the Executive Committee
- Ethics Committee and Executive Committee may publish findings
- Executive Committee shall respond to court orders, requests for information from government agencies, stock exchanges

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Disciplinary Procedures - Comments

- Ethics complaints are rare
- Ethics Committee seeks legal advice to ensure member is afforded due process. This can lengthen the time to conduct an investigation, particularly if investigation involves solicitation of information from overseas.
- Members sometimes do not cooperate with investigations
- High profile cases may involve securities regulators as well as Recognized Professional Organizations
- A Recognized Professional Organization’s tardy response time may be considered grounds for denial of reciprocity by other RPOs

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Ethical Issues for the Qualified Person

- Following slides come from a course presented by Greg Gosson in British Columbia
- APEGBC is the Association of Professional Engineers and Geoscientists in British Columbia

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Qualified Person – Relevant Experience Self Assessment

- To be considered a Qualified Person, you must have relevant experience on the subject matter you are providing an opinion
- How much, and what kind of experience is necessary to be considered qualified?
- What are the boundaries?
- Are you being asked to take responsibility for information that is outside of your area of expertise?

NI 43-101 Requires Involvement of a Qualified Person in Preparing Scientific and Technical Disclosure

Section 2.1 of NI 43-101

- All disclosure of scientific and technical information on a material mineral property must be:
  - Prepared by or under the supervision of a Qualified Person
  - Approved by a Qualified Person

Ethical Issue

- How involved should you be to take responsibility for "supervising the preparation of information" by others?

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NI 43-101 Requires Naming of the Qualified Person

Section 3.1 of NI 43-101

- All written disclosure of scientific and technical information on a material mineral property must:
  - Name the Qualified Person that prepared/supervised preparation of information
  - State the relationship of QP to the issuer

Ethical Issue

- If you are named in the news release, then you should agree with the all of the contents of the news release
  - Context is as important as content.
  - Do you agree with how the information you prepared is being used by the company?

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Ethical Issues - Comments

- Securities law puts reliance on Qualified Person to help ensure integrity of the securities market
- NI 43-101 does not work without commitment by Qualified Person
- Application to the APEGBC Professional Code of Ethics to this issue is contained in following slides

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APEGBC Code of Ethics

Hold paramount the safety, health and welfare of the public.

- Securities commissions' mandate is to protect public interest by regulating trading in securities.
- Securities law requires professional involvement in preparing a mining company's disclosure
- Professional members involved with mineral projects have an obligation to apply their professional and ethical standards to information prepared for public disclosure

APEGBC Code of Ethics

Undertake and accept responsibility for professional assignments only when qualified by training or experience.

- Qualified Person must have experience relevant to the subject matter of the mineral project and the technical report
- Know the limits of your qualifications and when to ask for assistance
- Exercise caution when signing off on work outside of your discipline

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APEGBC Code of Ethics

Provide an opinion on a professional subject only when it is founded upon adequate knowledge and honest conviction.

- Ethical challenges when providing opinion on mineral projects:
- Relying on work of others – what level of verification is necessary?
- Having a basis for your assumptions – not arbitrary, or unsupported assumptions
- Do you agree with how your opinion is used by the company?

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APEGBC Code of Ethics

Present clearly to employers and clients the possible consequences if professional decisions or judgments are overruled or disregarded.

- Be familiar with the industry practices, disclosure standards and professional responsibilities under securities law
- It may help if you can point out that your position on proper scientific or technical disclosure is supported by securities law

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APEGBC Code of Ethics

Report to their association or other appropriate agencies any hazardous, illegal or unethical professional decisions or practices by engineers, geoscientists, or others.

- Geoscientists and engineers are the first line of defense when it comes to ensuring the integrity of the capital markets when it involves exploration and mining companies.

Example Ethics Case No. 1

WHEREAS on June 10, 2014, a Notice of Inquiry was issued to Richard G.R. Munroe, P.Geo. ("Mr. Munroe"), that contained the following allegation:

> **AND TAKE NOTICE** that the allegation against you is that contrary to the *Act*, you have demonstrated unprofessional conduct in your report for Rio Plata Exploration Corporation dated April 9, 2013 entitled "Technical Brief on the Metates Mine Property, Municipality of Mazatlan, Sinaloa, Mexico" ("Technical Report") and your "Consent of Qualified Person" dated April 11, 2013 regarding the Technical Report, by reason of one or more of the following deficiencies in the Technical Report:
>
> 1. it does not adequately support the resource estimate in the core area of the Metates Mine property;
> 2. it extrapolates the resource estimate over long distances without disclosing local sampling and assay support and designates the additional quantities as inferred resources;
> 3. it contains resource estimates that are unsupported, contrary to National Instrument (NI) 43-101;
> 4. it does not provide adequate explanation of quality control measures employed before samples were sent to laboratories;
> 5. it does not explain why chip samples were suitable for inclusion in the database used to estimate a mineral resource;
> 6. it does not discuss the nature, extent and results of quality control procedures employed and quality assurance actions taken; and
> 7. **in the core estimate of the resource it does not have the degree of confidence necessary to apply an inferred resource classification per NI 43-101.**

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Example Ethics Case No. 1 (Continued)

AND WHEREAS Mr. Munroe admits the allegations in the Notice of Inquiry;

AND WHEREAS the Association of Professional Engineers and Geoscientists of the Province of British Columbia (the "Association") and Mr. Munroe wish to resolve this matter by consent in order to avoid the need for a disciplinary inquiry;

THEREFORE by consent, this Order is hereby made, pursuant to the *Act*, specifically s. 32.1:

(a) Mr. Munroe is hereby reprimanded;

(b) Mr. Munroe shall pay a fine in the amount of $10,000 to the Association, payable to the Association within two years from the reference date of this Consent Order.

(c) Mr. Munroe shall pay $2,000 towards the Association's legal costs, including disbursements and taxes. Such costs will be payable within two years of the reference date of this Consent Order.

(d) Mr. Munroe agrees to a condition imposed on his membership in the Association that he shall not perform ore resource or ore reserve estimations as defined in National Instrument 43-101. Despite this condition on his membership, Mr. Munroe is permitted to:

(i) partner with another professional geoscientist with expertise in ore resource or ore reserve estimations provided that the other professional geoscientist takes responsibility for the ore resource or ore reserve estimations in a National Instrument 43-101 report; and

(ii) prepare geological reports which do not involve ore resource or ore reserve estimations.

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Example Ethics Case No. 2
Findings of Alberta Securities Commission

2.21 On May 13, 1996, Nash exercised options and purchased 50,000 Cartaway shares at a share price of $0.72; he then sold all his Cartaway shares at an average price of $9.15, for a profit of approximately $420,280.

2.22 By selling his Cartaway shares on May 13, 1996, given his special relationship to Cartaway, with full access to the drill logs, information from the on-site geologist, inspection of drill core, etc., he traded on inside information, thereby contravening section 119(2) of the Act.

2.23 On May 16, 1996, the Respondent Ivany announced in a press release the visual results of the third hole drilled on the Cirque property. Included in the press release was a report of "heavy concentrations of sulphide mineralization (pyrrhotite, pentlandite and chalcopyrite)." Pentlandite is a significant nickel indicator.

2.24 No observations of pentlandite had been recorded by Sharpley in his drill logs, which drill logs were reviewed before preparation of the press release. Nash recalls asking Sharpley over the telephone whether or not he had seen pentlandite in the core and Sharpley advising that he had seen some. Sharpley's memory of the conversation is that he said he thought there was pentlandite there but could not be sure.

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Example Ethics Case No. 2 (Continued)

2.25 Also included in the press release was the information that the assay results of the first two holes would be released May 17, 1996.

2.26 On May 16, 1996, Cartaway stock traded in a range of $14.90 to $26.00 and closed at $23.00 on a volume of 2,877,739 shares.

2.27 On May 17, 1996, Nash announced in a press release the assay results of the first two holes. The assay results showed far less chalcopyrite than the visual results.

2.28 The trading after the May 16 press release was so heavy that the ASE system crashed and remained inoperative until after the assay results had been announced. When trading resumed on May 21, 1996, Cartaway stock re-opened at $2.76 per share.

2.29 By causing Cartaway to issue the May 16, 1996, press release containing a misrepresentation as to the presence of pentlandite, Nash, as a senior officer of Cartaway, acted in a manner contrary to the public interest.

2.30 As a result of the foregoing, Nash acted in a manner contrary to Act, the Rules and the public interest.

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Example Ethics Case No. 2 (Continued)

3.1.5 As a result of the trade referred to in paragraph 2.21above, Nash made a profit of $420,280;

3.16 Nash will testify at the hearing into allegations relating to any remaining Respondents; and,

3.17 On August 24, 1999, Nash declared personal bankruptcy.

3.2 Based on the agreed statement of facts and the factors agreed by Staff and Nash to be relevant to sanction, it is jointly recommended that:

3.2.1 Nash be cease traded and denied the use of all exemptions contained in the Act and the Rules for a period of eight (8) years from the date of any order;

3.2.2 Nash resign all positions that he holds as a director or officer of any issuer and be prohibited from becoming or acting as a director or officer of any issuer for a period of eight (8) years from the date of any order;

3.2.3 Nash pay an administrative penalty in the sum of $25,000; and,

3.2.4 Nash pay the sum of $25,000 to help defray Staff's costs of this investigation.

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Conclusions

- Ethic codes are designed to protect the public
- There are safeguards built into the system to protect the QP; he must consent where he is named in a press release or report
- Recognized Professional Organizations will come down hard on misconduct
- Securities authorities will come down even harder, particularly where fraud (intentional misconduct) is committed

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Thank You

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