

IN THE MATTER OF THE *SECURITIES ACT*, R.S.O. 1990, c. S. 5, as amended;

IN THE MATTER OF THE *STATUTORY POWERS PROCEDURE ACT*, R.S.O. 1990, c. S. 22, as amended; and

IN THE MATTER OF GRAHAM DESSON

**SETTLEMENT AGREEMENT BETWEEN THE
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND GRAHAM DESSON**

I. INTRODUCTION

1. Pursuant to section 5(1) of the “Practice Guidelines – Settlement Procedures in Matters before the Ontario Securities Commission” of the Ontario Securities Commission Rules of Practice, Staff of the Ontario Securities Commission and Graham Desson (“Desson”) propose to settle the matters described below on the terms set out herein.

II. STATEMENT OF FACTS

Acknowledgment

2. Solely for the purposes of this settlement agreement and for no other purpose, Staff and Desson agree with the facts and conclusions set out in paragraphs 1 to 17 of this agreement.

Facts

3. OntZinc Corporation (“OntZinc”) is a mining company incorporated under the Ontario *Business Corporations Act* with its head office in Toronto, Ontario. At

the time of the events referred to herein, OntZinc was a reporting issuer whose shares were listed on the TSX Venture Exchange.

4. Desson is a Chartered Accountant in Ontario. He was hired by OntZinc as a consultant on accounting issues to OntZinc through 2004, when the company was involved in negotiating the acquisition of Hudson Bay Mining and Smelting Co. Ltd. ("HBMS").
5. On March 24, 2004, OntZinc entered into a confidentiality agreement with Anglo American plc ("Anglo") respecting the potential sale of the assets of HBMS to OntZinc.
6. In April 2004, OntZinc received a Confidential Information Memorandum from RBC Capital Markets, Anglo's financial advisors. On May 5, 2004, OntZinc's Board of Directors approved a non-binding proposal to acquire HBMS which was submitted to RBC the following day.
7. On May 15, 2004, OntZinc was informed by RBC that they had been selected to continue in the acquisition process. OntZinc engaged legal counsel, financial advisors, and geological consultants. The financial advisors were Credit Suisse First Boston ("CSFB").
8. On July 20, 2004, OntZinc submitted a binding acquisition proposal to RBC.
9. On September 17, 2004, OntZinc received verbal notification that they would negotiate exclusively with Anglo from that point.
10. On October 7, 2004, OntZinc and Anglo signed the Purchase Sale Agreement for the assets of HBMS pending shareholder approval. This agreement was publicly disclosed on October 8, 2004. Trading was halted on this date prior to the announcement. On October 18, 2004, trading in OntZinc resumed.
11. Desson began as a consultant to OntZinc in or about March 2004. He was aware that Ontzinc was involved in the potential acquisition of HBMS. He became involved in the acquisition during the due diligence process and looked after the accounting due diligence conducted on HBMS, but this activity ceased in or about early June 2004. Desson was not involved in nor was he aware of the details of further negotiations between OntZinc and Anglo.
12. On September 23, 2004, Desson was told that OntZinc had received word that it would negotiate exclusively with Anglo from that point. As of September 30, 2004, this fact was not publicly announced. However, from Desson's standpoint, there were still substantial uncertainties as to whether any transaction could be consummated.

13. On September 30, 2004, OntZinc issued a press release regarding the completion of a private placement. Desson considered this to be a positive development and decided to add to his existing holdings of OntZinc after this announcement was made. Desson considered it prudent to check with OntZinc's senior officers to see if there was any impediment to his acquiring OntZinc stock at that time. He was told there was no such impediment.
14. Based on his conversation with senior executives of OntZinc, Desson believed that it would not be improper for him to purchase shares in the company.
15. In the circumstances described in paragraphs 1 to 14, on September 30, 2004, Desson purchased 100,000 shares of OntZinc at approximately .06¢ per share. The "profit made" on the 100,000 shares was \$8,360.00. "Profit made" is a term defined in the *Act* as the amount by which the average price of the security in the twenty trading days following general disclosure of the material fact or the material change exceeds the amount paid for the security purchased. It does not, in the circumstances of this case, equate to the amount by which Desson "profited" by the purchase of the OntZinc securities. In purchasing the OntZinc securities, Desson did not intend to take improper advantage of any information he had about OntZinc's interest in and efforts to acquire HBMS. The full extent of Desson's trading activity in OntZinc in 2004 is set out in Schedule A.

Desson's Conduct

16. Desson purchased the OntZinc's shares at a time when he was in a special relationship with OntZinc while possessed of undisclosed material information. The undisclosed material information was the potential acquisition of HBMS. Desson believed that it would not be inappropriate for him to purchase OntZinc shares at the time based on advice he received from senior executives at OntZinc. He acknowledges, however, that he did purchase the shares while possessed of the undisclosed material information.
17. Desson has cooperated with staff throughout this investigation.

III. TERMS OF SETTLEMENT

18. Desson agrees to the following settlement terms:
 - a. payment of \$16,720.00 payable to the Ontario Securities Commission for the benefit of the third parties;
 - b. payment in the amount of \$5,000 toward to the cost of investigation of this matter;
 - c. for the next 12 months, Desson undertakes not to trade in any securities of any company to which Desson provides accounting services unless he

- receives prior written confirmation from in-house counsel of a company to which he acts as a consultant; and
- d. that he comply with Ontario securities law.

IV. STAFF COMMITMENT

- 19. If this Settlement receives the consent of the Executive Director, and Desson satisfies the terms set out above, Staff will not initiate any other proceedings under the Act against Desson in relation to the facts set out in Part II of this Settlement Agreement.
- 20. If this Settlement receives the consent of the Executive Director, and at any subsequent time Desson fails to honour the terms of this Settlement Agreement, Staff reserve the right to refer to this Settlement Agreement in any future proceeding.

V. APPROVAL OF SETTLEMENT

- 21. If, for any reason whatsoever, the Executive Director does not consent to this Settlement:
 - (a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Desson leading up to the execution of this Settlement Agreement, shall be without prejudice to Staff and Desson;
 - (b) Staff and Desson shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of these matters before the Commission, unaffected by this Settlement Agreement or the settlement discussions/negotiations; and
 - (c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and Desson or as may be required by law.

VI. DISCLOSURE OF SETTLEMENT AGREEMENT

- 22. This Settlement Agreement and its terms will be treated as confidential by Staff and Desson until consented to by the Executive Director, and forever, if for any reason whatsoever this settlement is not consented to by the Executive Director, except with the consent of Staff and Desson, or as may be required by law.
- 23. Any obligation of confidentiality shall terminate upon receiving the Executive Director's consent to this settlement.

24. Staff and Desson agree that if the Executive Director does consent to this Settlement, they will not make any public statement inconsistent with this Settlement Agreement.

VII. EXECUTION OF SETTLEMENT AGREEMENT

25. Desson hereby acknowledges and agrees that he has obtained or waived legal advice in connection with this Settlement Agreement and acknowledges that he understands and voluntarily accepts and agrees to the terms set out herein.

26. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

27. A facsimile signature of any signature shall be effective as an original signature.

DATED this 15th day of June, 2006

David Moore
Witness

Graham Desson
Graham Desson

DATED this 15th day of June, 2006

**STAFF OF THE ONTARIO
SECURITIES COMMISSION**

(Per) Michael Watson
MICHAEL WATSON
Director, Enforcement Branch

I hereby consent to the settlement of this matter on the terms contained in this Settlement Agreement.

DATED this 3rd day of ~~June~~^{August}, 2006

Margaret M. Dowdall-Logie
~~CHARLES MACPARKANE~~ Margaret M. Dowdall-Logie
Executive Director

SCHEDULE A

Trading Activity in Shares of Ontzinc Corporation -- 2004

Date	# of Shares			Price	Cost (excl. commission)
	Purchased	Sold	Cumulative		
June 11	50,000		50,000	\$ 0.100	\$ 5,000
Sept. 30	98,000		148,000	\$ 0.060	\$ 5,880
Sept. 30	2,000		150,000	\$ 0.055	\$ 110
Oct. 18	50,000		200,000	\$ 0.105	\$ 5,250
Oct. 22	100,000		300,000	\$ 0.140	\$ 14,000
Dec. 1		50,000	250,000	\$ 0.110	\$ 5,500
Dec. 1		44,500	205,500	\$ 0.110	\$ 4,895
Dec. 7 *		55,500	150,000	\$ 0.110	\$ 6,105

* under order dated Dec.1