

**IN THE MATTER OF THE SECURITIES ACT  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

**IN THE MATTER OF  
LYDIA DIAMOND EXPLORATIONS OF CANADA LTD.,  
JURGEN VON ANHALT, EMILIA VON ANHALT  
AND FRAN HARVIE**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission allege:

**THE RESPONDENTS**

1. Lydia Diamond Explorations of Canada Ltd. (“Lydia”) is an Ontario Corporation. It is a Toronto based diamond exploration company with forty contiguous mining claims at its Wolf Lake property in Southern Ontario. Lydia was formed by the amalgamation of Lydia Consolidated Diamond Mines (“Lydia Consolidated”) and Acadia Mineral Corporations on May 16, 2001. This amalgamation was approved by the Commission des valeurs mobilières du Quebec and Lydia became a reporting issuer in British Columbia, Alberta, Ontario and Quebec. Lydia Consolidated was an Ontario private corporation. It was incorporated on February 10, 1995.
  
2. Jurgen and Emilia von Anhalt, who refer to themselves as the Prince and Princess von Anhalt, (“Jurgen” and “Emilia”) own the controlling interest in Lydia. They are both officers and directors of the corporation.

3. Fran Harvie holds herself out as a psychic. Emilia consulted Harvie as a psychic. She then had Lydia engage Harvie to assist in trying to locate diamonds on the Wolf Lake properties. Harvie went to the properties and purported to use her psychic powers to assist in determining where diamonds may be located.

### **Illegal Distribution of Lydia Shares**

4. Between July 20, 1996 and December 1, 2000 Lydia sold shares to more than fifty persons without registration and without an exemption to the requirement for registration under Ontario securities law. During this time there were as many as 398 shareholders in Lydia. Between August 17, 1999 and July 28, 2000 Harvie sold shares to approximately 341 shareholders. These shares were issued in the name of Harvie but were held for approximately 341 shareholders.
5. Lydia's records reveal that between July 20, 1996 and December 1, 2000 \$1,814,572.30 was collected from investors who purchased shares from Treasury. Approximately \$1,566,909.25 was received by cheque. Approximately \$104,232.05 was received in cash. Approximately \$143,330.00 worth of shares were issued for services rendered to the company. Investors who purchased treasury shares through the von Anhalts paid \$947,631.00 in cash and services for the shares. Investors who purchased treasury shares through Harvie contributed \$866,941.00.
6. In addition, between July 30, 2000 and May 10, 2001 Jurgen sold a total of approximately 3,718,435 shares from his shareholding for a total consideration of approximately USD 112,500 and CAD 625,550. Jurgen was not registered to trade in securities and the exemptions in the Act were not available to him. During the same period, Emilia sold a total of approximately 3,718,435 shares of her shareholding for a total consideration of approximately USD 112,500 and CAD 625,550. Emilia was not registered to trade in securities and the exemptions in the Act were not available to her.

7. The monies received by the sale of the Lydia shares were not used by the von Anhalts exclusively for diamond exploration purposes on the Wolf Lake properties.
8. Between April 23, 2001 and May 10, 2001, Harvie further sold a total of approximately 488,450 shares directly to approximately 22 investors.
9. Harvie has never been registered with the Commission in any capacity and the exemptions in the Act are not available to her.
10. Lydia paid to Harvie approximately 10% of the funds paid by investors for the shares sold to them by her as a commission on the sale of the shares. The commissions were paid either by cash or by shares in Lydia.
11. Staff allege that the Respondents violated Ontario securities law and engaged in conduct contrary to the public interest.

### **Conduct of Lydia**

12. Staff allege that Lydia:
  - (a) traded in securities without registration and without an exemption to the requirement for registration contrary to subsection 25(1) of the Act;
  - (b) distributed securities without filing and obtaining a receipt for a prospectus and without an exemption to the prospectus requirement contrary to section 53 of the Act;
  - (c) paid to Harvie a 10% commission on the shares traded by her without disclosing to these investors that Harvie was being paid a commission contrary to the public interest; and

- (d) misled Staff that Lydia had not more than fifty shareholders excluding employees and that Lydia was not initially aware that Harvie was selling Lydia shares.

### **Conduct of the von Anhalt's**

13. Staff allege that the von Ahhalts:

- (a) traded in securities without registration and without an exemption to the requirement for registration contrary to subsection 25(1);
- (b) traded previously issued shares without being eligible for an appropriate exemption contrary to subsection 25(1) of the Act;
- (c) distributed previously issued shares to investors without the benefit of received prospectus contrary to subsection 53(1) of the Act; and
- (d) being Directors of Lydia, authorized, permitted or acquiesced in its contraventions of the Act.

### **Conduct of Harvie**

14. Staff allege that Harvie:

- (a) traded in securities without registration and without an exemption to the requirements for registration contrary to section 25 of the Act;
- (b) distributed securities without filing and obtaining a receipt for a prospectus and without an exemption to the prospectus requirement contrary to section 53 of the Act; and

- (c) received a 10% commission on the shares traded by her without disclosing to investors that she was being paid a commission contrary to the public interest.
15. Such additional allegations that Staff may make and the Commission permit.