



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
MOAG COPPER GOLD RESOURCES INC., GARY BROWN and BRADLEY JONES**

**STATEMENT OF ALLEGATIONS**

**(Subsection 127(1) and section 127.1 of the *Securities Act*, RSO 1990, c S.5)**

**A. ORDER SOUGHT**

Staff (“**Staff**”) of the Enforcement Branch of the Ontario Securities Commission (the “**Commission**”) request that the Commission make an order, ordering:

1. that trading in any securities of MOAG Copper Gold Resources Inc. (“**MOAG**”) cease permanently or for the period specified by the Commission, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the “**Act**”);
2. that trading in any securities or derivatives by Gary Brown (“**Brown**”) or Bradley Jones (“**Jones**”) and, together with Brown, the “**Individual Respondents**”) cease permanently or for the period specified by the Commission, pursuant to paragraph 2 of subsection 127(1) of the Act;
3. that the acquisition of any securities by each Individual Respondent be prohibited permanently or for the period specified by the Commission, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
4. that any exemptions contained in Ontario securities law not apply to each Individual Respondent permanently or for the period specified by the Commission, pursuant to paragraph 3 of subsection 127(1) of the Act;

5. that MOAG submit to a review of its practices and procedures and institute such changes as ordered by the Commission, pursuant to paragraph 4 of subsection 127(1) of the Act;
6. that MOAG and the Individual Respondents (collectively, the “**Respondents**”) be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
7. that each Individual Respondent immediately resign any position that the Individual Respondent holds as a director or officer of an issuer, registrant or investment fund manager, pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act;
8. that each Individual Respondent be prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager permanently or for the period specified by the Commission, pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act;
9. that each Individual Respondent be prohibited from becoming or acting as a registrant, investment fund manager or promoter, permanently or for the period specified by the Commission, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
10. that each Individual Respondent pay an administrative penalty of not more than CAD 1 million for each failure by the Individual Respondent to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
11. that each Individual Respondent disgorge to the Commission any amounts obtained as a result of the non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
12. that the Individual Respondents pay the costs of the Commission investigation and hearing, pursuant to section 127.1 of the Act; and
13. such other order as the Commission considers appropriate in the public interest.

## **B. FACTS**

Staff make the following allegations of fact:

## **I. Overview**

1. This matter involves repeated, intentional breaches of a cease-trade order (the “**CTO**”), imposed by the Director, in deliberate contravention of Ontario securities law. Flouting Director orders undermines their purposes and confidence in the regulation of Ontario’s capital markets.
2. Between October 2015 and February 2017, despite being subject to the CTO, MOAG issued and sold to 93 Taiwan residents approximately USD 7.4 million of unsecured, convertible debentures (the “**Debentures**”). Approximately USD 3.8 million of the Debentures were issued to holders of maturing debentures as rollovers (“**Rolled Debentures**”). The remainder (“**New Debentures**”)—approximately USD 3.6 million—were issued for cash. The Individual Respondents engaged in various acts in furtherance of these trades in violation of the CTO.

## **II. Background**

### **(A) Respondents**

3. MOAG is a corporation that holds itself out as engaging in the exploration and evaluation of molybdenum, silver, copper and gold mineral properties. Between September 2015 and April 2017 (the “**Material Time**”), its registered and head offices were in Toronto, Ontario. MOAG is a reporting issuer in Ontario and the Commission is its principal regulator.
4. MOAG’s common shares are listed on the Canadian Securities Exchange. It also has outstanding options and convertible debentures. Each Debenture had a one- to two-year term, bore interest at a rate of 10% per annum and was stated as being convertible into MOAG’s common shares. All MOAG’s securities are subject to the CTO.
5. Brown is a resident of Vancouver, British Columbia and a co-founder and significant shareholder of MOAG. Between September 2015 and December 2015, Brown acted as a director of MOAG and its President and Chief Executive Officer (“**CEO**”).
6. Jones is a resident of Toronto, Ontario and MOAG’s other co-founder and significant shareholder. During the Material Time, Jones acted on MOAG’s behalf in various capacities. Initially, he was a director and Chief Financial Officer (“**CFO**”), then solely a director, then a director and MOAG’s CEO and CFO, and finally, a consultant.

**(B) Imposition of CTO**

7. The CTO is rooted in a continuous disclosure review by the Commission's Corporate Finance Branch. According to MOAG's financial statements for the interim period ended March 31, 2015, MOAG had loaned CAD 432,000 to Brown (then a director of MOAG and its President and CEO) and CAD 434,000 to Jones (then a director of MOAG and its CFO). No disclosure was provided about the loan terms. In September 2015, Staff asked MOAG for a detailed explanation of the loans.

8. Ultimately, Brown, on MOAG's behalf, claimed that Jones had misappropriated all of the money that had been recorded as loans. With the support of MOAG's other director, Brown removed Jones as CFO and, on MOAG's behalf, requested the CTO. The related news release stated that MOAG's financial statements for the interim and annual periods ending between September 30, 2011 and March 31, 2015 were not in accordance with generally accepted accounting principles and that MOAG's Board of Directors (the "**Board**") believed they were materially misstated.

9. Based on this announcement, on October 13, 2015, the Director made the CTO and all trading in MOAG securities, whether direct or indirect, was to cease for 15 days. On October 26, 2015, after a hearing, the Director extended the CTO until a further order. The CTO remains in effect.

**III. Violations of CTO**

**(A) Brown as Director, President and CEO and Jones as Director - Trading in Breach of the CTO between October 13, 2015 and December 18, 2015**

10. Between October 13, 2015 and December 18, 2015, MOAG breached the CTO by issuing and selling USD 610,000 in New Debentures to seven investors. Brown and Jones (who was then solely a director of MOAG), engaged in various acts in furtherance of MOAG's trades in violation of the CTO.

11. Brown accepted investor funds on behalf of MOAG, communicated with MOAG's Taiwanese agent, H&W International Ltd. ("**H&W**") about the sales and, at Jones' behest,

arranged for MOAG to pay H&W its commissions, which were at least 30% of the principal amount of each Debenture.

12. Jones coordinated the sales with H&W, prepared, printed and signed the Debenture certificates and accompanying cover letters, which he sent to the investors, and updated MOAG's Debenture records, including files containing materials such as copies of investors' identification and executed subscription agreements (collectively, the "**Trading Activities**").

13. Jones also requisitioned a shareholders meeting to remove Brown and MOAG's other director. MOAG responded by calling its own meeting. The proxy battle ended in December 2015 with Brown's and the other director's resignations. Jones became MOAG's CEO and CFO.

**(B) Jones as Director, CEO and CFO - Trading in Breach of the CTO between December 19, 2015 and January 16, 2017**

14. Between December 19, 2015 and January 16, 2017, MOAG repeatedly breached the CTO by issuing and selling USD 3.8 million in Rolled Debentures to 40 investors and USD 2.8 million in New Debentures to 62 investors.

15. Jones engaged in numerous acts in furtherance of MOAG's trades in deliberate breach of the CTO. In addition to the Trading Activities, Jones paid H&W's commissions and, on behalf of the Board, issued a news release announcing a proposed, USD 3 million private placement of convertible debentures. In response to Staff's resultant inquiries, Jones claimed that the announcement had been made in error. This was reiterated in a subsequent company news release, even though MOAG had issued New Debentures before, on the date of, and after, the announcement.

16. In 2016, MOAG also sought first a partial, and then a full revocation of the CTO, but, to date, has failed to establish that a revocation would not be prejudicial to the public interest. In November 2016, MOAG advised Staff that it wished to escalate the matter, but later decided not to do so.

17. In December 2016, Staff asked MOAG what it was planning to do, or had done, about a maturing USD 3 million tranche of convertible debentures. MOAG responded that the plan was to

complete a financing to raise funds to pay for redemptions and interest, but that was on hold due to the CTO. MOAG did not disclose that it had already dealt with the debentures by rolling them over in violation of the CTO.

18. In January 2017, in response to repeated Staff inquiries, MOAG admitted that Debentures had been issued in breach of the CTO and that Jones had been involved in the trading. On January 16, 2017, Jones, who had resigned as MOAG's CEO and CFO the previous month, resigned as a director. On February 2, 2017, MOAG told Staff that MOAG "is no longer associated with Mr. Jones. And any funding activities which were Initiated [sic] by him ceased and did so well before his departure."

**(C) Jones as Consultant - Trading in Breach of the CTO between January 17, 2017 and February 10, 2017**

19. In fact, following Jones' resignation, Jones became a consultant to MOAG. On January 23, 2017 and February 10, 2017, Jones arranged for MOAG to issue and sell USD 210,000 in New Debentures to two investors. In connection with the sales, Jones engaged in the Trading Activities and paid H&W's commissions in willful breach of the CTO and Ontario securities law.

**C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:

1. by issuing and selling the Debentures, MOAG traded in securities within the meaning of the Act, breached the CTO, violated Ontario securities law and is liable under subsection 122(1)(c) of the Act;
2. by engaging in the acts in furtherance of MOAG's trades set out above, each Individual Respondent traded in securities within the meaning of the Act, breached the CTO, violated Ontario securities law and is liable under subsection 122(1)(c) of the Act;
3. each Individual Respondent, as a director or officer of MOAG, authorized, permitted or acquiesced in MOAG's non-compliance with Ontario securities law, as set out in paragraph 1 above, and is deemed liable for non-compliance under subsection 122(3) of the Act; and

4. as set out above, the Respondents engaged in conduct contrary to the public interest.

Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

**DATED** the 27<sup>th</sup> day of November, 2018.

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