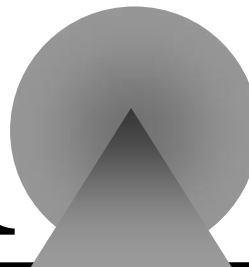


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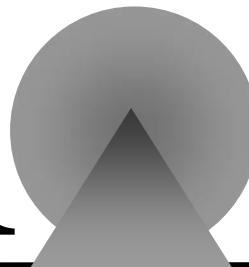
C E N T R E

**The Toronto International Leadership
Centre for Financial Sector Supervision**

OECD Presentation

September 29, 2004

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**The Toronto International Leadership
Centre for Financial Sector Supervision**

Bre-X Minerals Limited

Susan Wolburgh Jenah

Ms. Susan Wolburgh Jenah

- **Vice Chair – Ontario Securities Commission (OSC)**
- **Formerly General Counsel & Director of International Affairs - OSC**
- **Former Chair of the CSA Legislative Committee**
- **BA from the University of Toronto**
- **LLB from Osgoode Hall Law School**
- **Frequent participant at international training conferences**

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Key Issues

- **The importance of effective standards for continuous disclosure and verification of asset valuation;**
- **Factors that allowed fraud to occur;**
- **The importance of interagency cooperation; and**
- **The need for independent and adequate funding of a regulatory agency, including the ability to work and share information with other local or international agencies and governments.**

Core Principles

CP #	Principles for:	A Focus On ...
3	The Regulator	Powers, resources & capacity
4	Self Regulation	SROs and direct oversight
9	Enforcement	Comprehensive enforcement powers
12	Cooperation in Regulation	Information sharing mechanisms
14	Issuers	Timely & accurate disclosure
28	The Secondary Market	Detection and deterrence of unfair trading practices

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Major Events

- **Jul. 1989** Bre-X begins trading on the Alberta Stock Exchange
- **1989 - 1992** Average trading price of Bre-X shares is 25 cents.
- **May 1993** Bre-X gains control of part of the Busang property in Indonesia.

Major Events

- **Oct. 1993** **Drilling begins**
- **Sep. 1994** **Bre-X gains control of portion of Busang site believed to be the “mother-load”**
- **Feb. 1995** **Bre-X announces estimate of 1 million ounces of gold**

Major Events (cont'd)

- **Mar. 1995** **Bre-X's share price increases to about \$2.**
- **May 1995** **Bre-X announces new estimate of 8 million ounces of gold**
- **Oct. 1995** **Bre-X's share price increases to about \$18.**

Major Events (cont'd)

- **Dec. 1995** Bre-X's share price increased to about \$53 based on continued increases in resource estimates.
- **Jan.15, 1996** Bre-X announces that Busang could contain 30 million ounces of gold, but company officials estimate 25 million ounces.

Major Events (cont'd)

- **Feb. 21 1996 Nesbitt Burns issues a research report increasing its estimate of total resources at Busang to 42.6 million ounces and increasing the 12-month target price of Bre-X's share to \$180 per share and the 18-month target price of \$220 per share.**

Major Events (cont'd)

- **Apr 23 1996** Bre-X shares starts trading on the Toronto Stock Exchange. Within minutes of the opening of trading, the price of Bre-X shares skyrocketed to nearly \$200.
- **May 22 1996** Bre-X shares split 10-for-1.
- **June 1996** Bre-X announces new estimate of 39 million ounces of gold

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Major Events (cont'd)

- **June-July 1996** **John Felderhof sells shares worth \$22.6 million**
- **July 1996** **Bre-X announces new estimate of 47 million ounces of gold**
- **Aug. 1996** **John Felderhof sells shares worth \$17.4 million**
Bre-X shares begin trading on NASDAQ

Major Events (cont'd)

- **Aug-Sept. 1996** **John Felderhof sells shares worth \$22.9 million**
- **Sept. 1996** **Bre-X shares hit all-time high (\$6.2 billion)**
- **Oct. 1996** **Media reveal Indonesian government inquiry**
Bre-X share price drops
Morning trading of shares is delayed until 11:08 am

Major Events (cont'd)

- **Nov. 1996** **Bre-X circulates fax copies of a Far Eastern Economic Review article that claimed Barrick Gold applied pressure on Indonesian officials**

Indonesia orders Bre-X to strike a deal with Barrick Gold

Major Events (cont'd)

- **Nov. 1996** **Concerns expressed that Barrick Gold could be open to action under U.S. Foreign Corrupt Practices Act**
- **Dec. 1996** **Bre-X announces Busang has 57 million ounces of gold**

Deadline for deal with Barrick Gold expires

Major Events (cont'd)

- **Dec. 1996** **President of Indonesia strips Bre-X's mining license**
Trading in Bre-X shares is halted on TSE and NASDAQ
TSE allows inclusion of Bre-X in the TSE 300 and TSE 100 indexes
Barrick and Bre-X announce tentative joint proposal

Major Events (cont'd)

- **Jan. 1997** **Fire in Bre-X's Busang office destroys key documents**
Placer Dome proposes merger with Bre-X
Indonesian timber magnate purchases 50% interest in the Indonesian company expected to hold Indonesia's participation in Busang

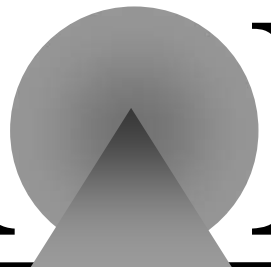
Major Events (cont'd)

- **Feb. 1997** **Bre-X announces that Busang has 71 million ounces of gold**
Bre-X announces deal to develop a gold mine with Freeport-McMoRan Cooper & Gold Inc.
Bre-X share price falls losing nearly \$750 million

Major Events (cont'd)

- **March 1997** **Bre-X geologist Michael de Guzman dies in fall from helicopter. Death is ruled suicide but is considered suspicious**
Bre-X admits that estimates may have been overstated
Share price plunges losing \$3 billion in a day
TSE and NASDAQ halt trading

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Group Discussion

Activity 1: Analyze the Situation

Group discussion followed by presentation

■ **Red Group**

Question #1

■ **Blue Group**

Question #2

Activity 1: Analyze the Situation

Red Group

- 1. How do the issues inherent in the Bre-X situation relate to the objectives of protecting investors, and of maintaining fair, efficient and transparent markets? What reforms could be made to the regulatory system to address the issues raised by the Bre-X situation?**

Activity 1: Analyze the Situation

Blue Group

- 2. What powers and jurisdiction does the OSC need in order to effectively respond to Bre-X to maintain confidence in the Canadian capital markets, and to work cooperatively with other agencies (at the national and international level) to address inter-jurisdictional and international issues?**

Table Group Discussions

25 Minutes

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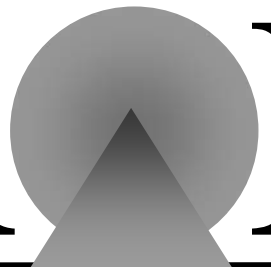
Full Group Presentations

20 Minutes

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Coffee Break

Activity 2: Develop a Focus

Stakeholder Analysis

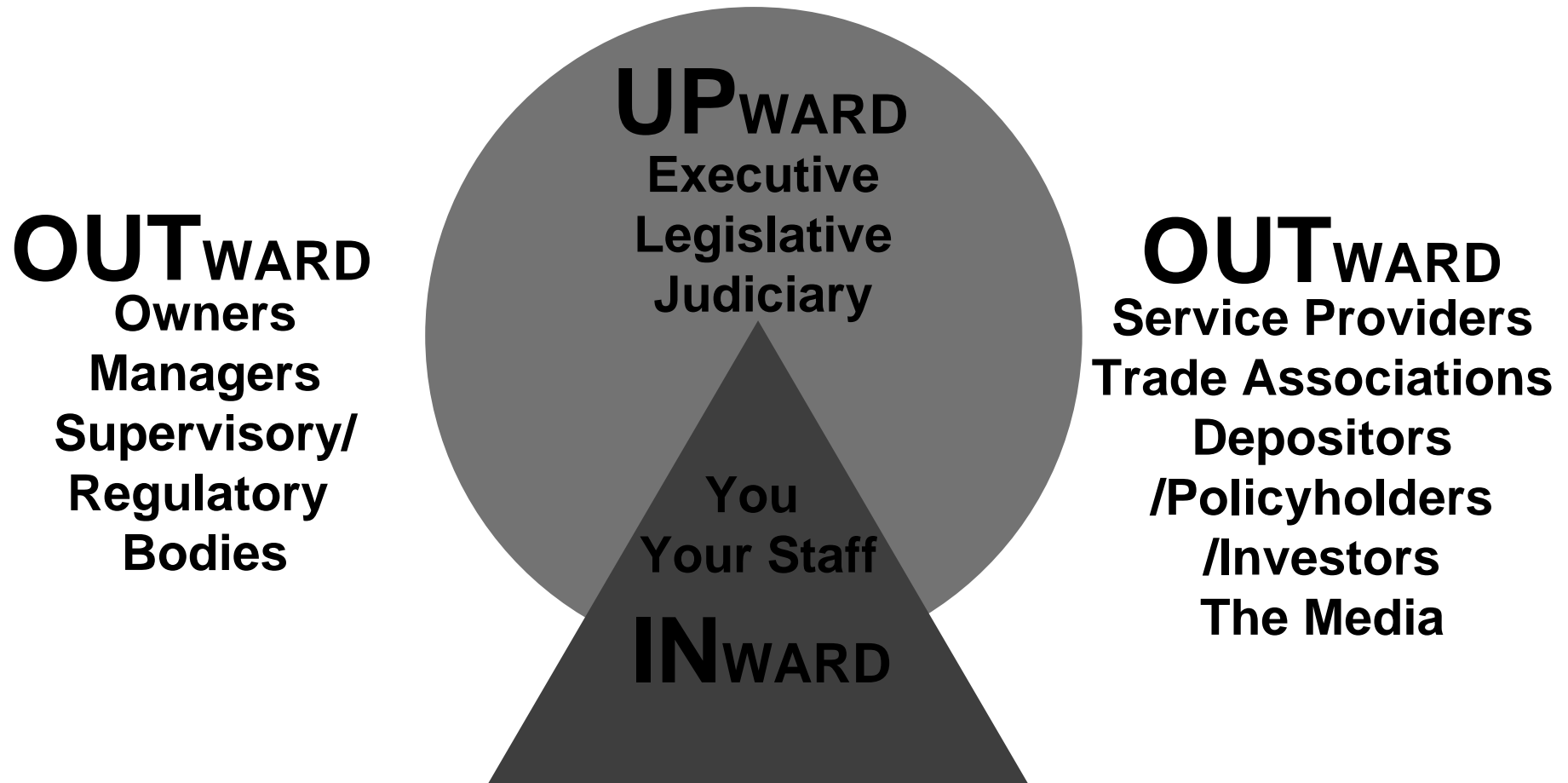
- **State your goal**
- **Identify strategies**
- **Identify key stakeholders and their needs, concerns, interests**
- **Indicate each stakeholder's position regarding your goal**
- **Record the three most important stakeholders**

Stakeholder Analysis

A Stakeholder ...

- Can be supportive, neutral or against what you are trying to achieve
- Can help or hurt you in your efforts
 - Supportive – defend and leverage
 - Neutral – convert
 - Against – convert or mitigate

The OUI Model



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Activity 2: Develop a Focus

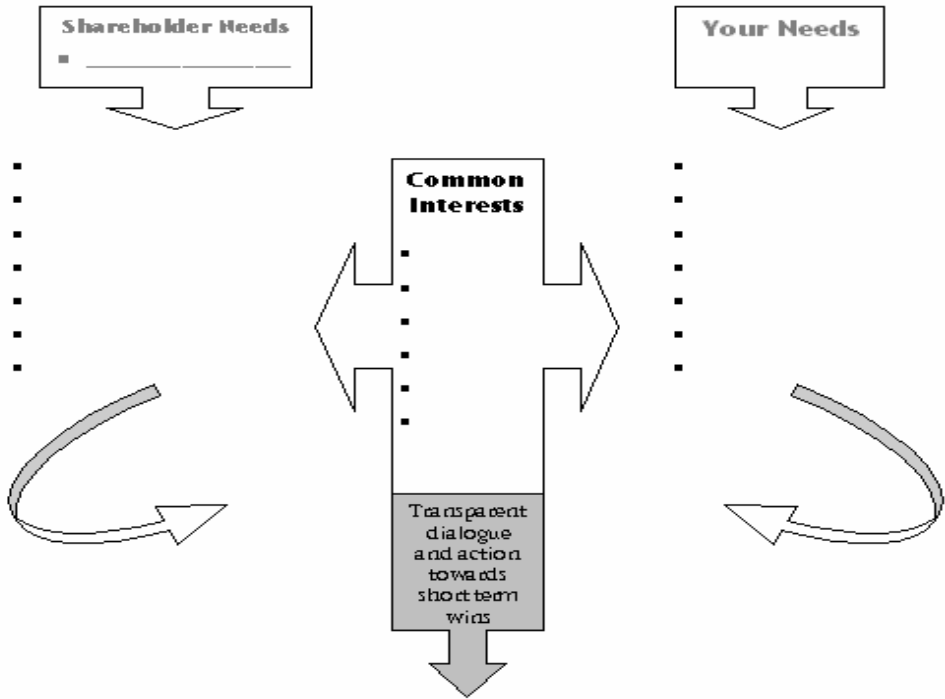
To develop a focus consider whether...

- **The stakeholders are supportive, against or neutral to your proposed changes.**
- **Their concerns, needs, wants, and vested interests that must be addressed in order to gain the stakeholders' support?**

Persuade Others Worksheet

Persuading Others Worksheet

Setting the stage to communicate a "Win-Win" situation



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Persuading Others

Group discussions followed by presentation

Stakeholder Presentation

- **Red** **The Minister responsible for overseeing the Securities regulator**
- **Blue** **Companies in the Mining Industry**
- **Yellow** **The Media**

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Table Group Discussions

20 Minutes

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Full Group Presentations

30 Minutes

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Running of Activity

1. Stakeholder analysis: 15 Minutes
 2. Stakeholder Role-Play Planning: 30 minutes
-

A total of 10 minutes will be allocated for each role-play.

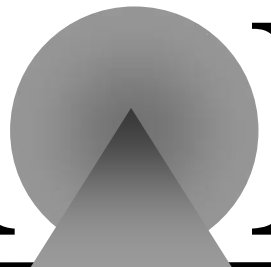
Lessons Learned

- **Always expect the unexpected.**
- **You can always learn valuable lessons from a disaster to make positive changes to the regulatory regime.**
- **You can never introduce the necessary changes as quickly as you would wish, but you have to try to implement them in time to avoid another disaster.**

Lessons Learned

- **Never assume that the media will get it right, or that they will even try to; Do your best to give them the information which they need to get it right if they want to.**
- **Try to anticipate the concerns that stakeholders will have, and communicate effectively with them to try to alleviate their concerns.**
- **No matter how severe the problem, try to use it to achieve the long-term goals of your agency.**

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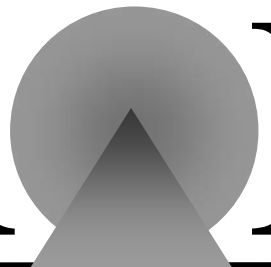
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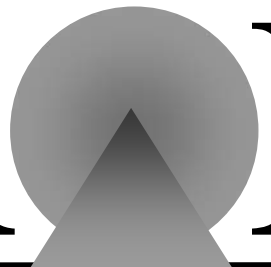
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Session Evaluation

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End of Presentation