



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

**- and -**

**IN THE MATTER OF BERNARD BOILY**

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

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**I. THE RESPONDENT**

1. The Respondent, Bernard Boily (“Boily”), has practiced as a geologist for over 27 years. He served as the Vice-President (Explorations) as well as the Qualified Person (as defined below) for Bear Lake Gold Ltd. (“Bear Lake”) until he was terminated on November 3, 2009.

**II. OVERVIEW**

2. This is an egregious case of fraud by a Qualified Person. Between December 2007 and July 2009 (the “Material Period”), Boily manipulated and inflated assay results related to Bear Lake’s Larder Lake gold mining project. The project was Bear Lake’s primary project and principal asset. Boily then caused these false results to be reported in press releases issued by the company throughout this period.
3. In addition, Boily frustrated the work of and misled independent Qualified Persons retained by Bear Lake to verify data for the Larder Lake project. Among other things, Boily provided manipulated assay databases, altered assay certificates, falsified drill core logs and provided other false information to independent Qualified Persons. Boily also re-arranged and replaced core being verified by them in order to further his deception.

4. By engaging in the foregoing conduct, Boily engaged in fraud and market manipulation, contrary to subsections 126.1(a) and (b) of the *Securities Act* (the “Act”); made misleading and untrue statements, contrary to subsection 126.2(1) of the Act; and also engaged in conduct which was not only contrary to the public interest but abusive to the integrity of Ontario’s capital markets.

### **III. BACKGROUND**

#### **(a) Bear Lake Gold Ltd.**

5. Bear Lake is a gold exploration company incorporated in Ontario. The company is a reporting issuer in Ontario with shares listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “BLG”. Bear Lake was previously known as NFX Gold Inc. (“NFX”) and was incorporated on July 19, 1996. In September 2008, NFX acquired Maximus Ventures Ltd. (“Maximus”) (which was then a reporting issuer on the TSX-V) and subsequently changed its name to Bear Lake. Unless otherwise indicated, all references to Bear Lake include reference to NFX and Maximus.
6. Throughout the Material Period, Bear Lake maintained a mining exploration project in the Larder Lake gold mining district (the “Larder Lake Project”), located in north-eastern Ontario. The project was the company’s primary project and principal asset.

#### **(b) The Respondent**

7. Boily is a resident of Blainville, Québec. At all material times, Boily served as a geologist, Director and (later) Vice-President of Explorations as well as the qualified person (as defined in National Instrument 43-101– *Standards of Disclosure for Mineral Projects*<sup>1</sup>) (“Qualified Person”) for Bear Lake.
8. As the Qualified Person, Boily performed a critical role under Ontario securities law for the company. Among other things, National Instrument 43-101 required:

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<sup>1</sup> *Qualified Person*: means an individual who (i) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (ii) has experience relevant to the subject matter of the mineral project and the technical report; and (iii) is in good standing with a professional association (section 1.1, NI 43-101).

- (a) that all disclosure of scientific or technical information made by Bear Lake concerning a mineral project on property material to the company had to be based upon information prepared by or under the supervision of its Qualified Person (section 2.1); and
  - (b) that Bear Lake indicate in all written disclosure the name of the Qualified Person who had prepared or supervised the preparation of the scientific or technical information being disclosed concerning any such mineral project and whether the Qualified Person had verified the data disclosed (sections 3.1 and 3.2).
9. Throughout the Material Period, the Larder Lake Project was a mineral project located on property material to Bear Lake. Bear Lake issued numerous press releases which included positive scientific and / or technical results related to its gold findings for this project. During the Material Period, the press releases named Boily as the Qualified Person and noted that the technical content of the information had been reviewed and / or approved by him.
- (c) Exploration Data Inconsistencies Announced**
10. On July 21, 2009, Bear Lake announced that it had become aware of “material inconsistencies” regarding its exploration results for the Larder Lake Project. The company further noted that the discrepancies appeared “serious” and could result in “significant reductions of gold values for some of the previously announced drilling intercepts.” Earlier, on July 17, 2009, Bear Lake shares were halted on the basis of pending news from the company.
11. An internal investigation was immediately commenced with an independent consultant, Scott Wilson Roscoe Postle Associates Inc. (now known as Roscoe Postle Associates Inc.) (“RPA”), retained to lead the technical investigation.
12. On July 24, 2009, Bear Lake withdrew all of its previously announced results for the Larder Lake Project and advised investors that the results should not be relied upon.
- (d) Exploration Data Inconsistencies Confirmed**
13. On November 3, 2009, Bear Lake announced that RPA had substantially completed its technical investigation. The investigation confirmed that exploration data for the Larder Lake Project had indeed been compromised. In total, RPA identified discrepancies

related to approximately 140 assays within Bear Lake's assay database (the "Assay Database").

14. Of the 58 drill hole intercepts disclosed in press releases, RPA determined that 24 of the intercepts (41%) were affected by unsupported assays. When compared against verified data, it was determined that only 7 of the 24 affected intercepts continued to retain a significant intercept.
15. In addition, Bear Lake also provided restated exploration results for previously reported intercepts. The gold content of previously reported intercepts were, in some cases, over 1000% higher than restated values. For example, the originally released results for Hole #57AW indicated a gold value of 15.1 g/t compared to a restated result indicating only 0.6 g/t. This represented a difference of over 2400%.
16. The material differences between original and restated results included the following:

<i>Press Release</i>	<i>Hole No.</i>	<i>From (m)</i>	<i>To (m)</i>	<i>Mineralization Type</i>	<i>Reported Au (g/t)</i>	<i>Restated Au (g/t)</i>	<i>Difference Au (%)</i>
04-Jun-08	38	555.2	558.1	Flow	6.5	0.7	828%
19-May-09	44W2	687.0	688.5	Carbonate	8.5	2.6	226%
		695.0	703.5	Carbonate	10.6	3.6	194%
		Including 695.0	698.5		18.3	5.1	258%
14-Jul-09	56A	1,221.5	1,222.6	Flow	23.4	3.1	654%
26-Mar-09	57AW	1,636.5	1,638.0	Flow	15.1	0.6	2416%
14-Jul-09	59	1,133.0	1,136.5	Carbonate	10.5	1.7	517%
14-Jul-09	59W	1,466.8	1,469.6	Flow	6.7	2.5	168%
19-May-09	64	619.5	624.6	Carbonate	9.9	3.0	230%
		Including 622.3	624.6		14.9	4.5	231%
		754.0	759.0	Flow	5.4	0.2	2600%
09-Jun-09	66	615.5	625.1	Carbonate	8.4	0.6	1300%
		Including 615.5	618.2		10.6	0.9	1077%
14-Jul-09	67	719.7	727.2	Carbonate	10.4	4.0	160%
14-Jul-09	70	475.5	480.0	Carbonate	11.0	0.0	N/A%

17. By November 3, 2009, RPA could not verify the significant gold values that had been originally reported by Bear Lake for Hole #49 (19.4, 27.9 and 76.1 g/t). Later re-drilling conducted for this hole produced the following results: 0.29, 1.74 and 4.74 g/t.

**(e) Materiality of Information**

18. The trading in Bear Lake resumed on July 28, 2009. Upon resumption of trading, Bear Lake's share price declined significantly. The stock price closed that day at \$0.24, down 66% from a closing price of \$0.71 prior to the halt (July 17). The closing price reflected a market capitalization loss on that day alone of over \$42 million.
19. For over one year thereafter, the Bear Lake share price remained at or below \$0.30.

**IV. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

**(a) Boily Manipulated Assay Results and Prepared Misleading / Untrue Press Releases**

20. Boily manipulated assay data and was responsible for the erroneous and excessive gold grades reported in Bear Lake's press releases. Among other things, Boily had:
  - (a) **Altered Certificates of Analysis** – altered certificates of analysis (“COAs”) received from laboratories (both electronic and hardcopy versions) with inflated gold values, prior to entering such results into Bear Lake's Assay Database. Boily had also altered these COAs by: removing unfavourable results; inputting fabricated sample results; manipulating the dates of COAs; and also manipulating signatures of laboratory personnel who certified the results. Boily destroyed original COAs which conflicted with his altered COAs;
  - (b) **Entered Manipulated Assay Results into Assay Database** – entered manipulated and inflated assay results into Bear Lake's Assay Database, rather than actual data contained within COAs received from laboratories. These manipulations included inflated gold results as well as misstated core lengths and widths for drill hole intercepts;
  - (c) **Selected Assay Results with Higher Gold Values** – received, at times, multiple results from a laboratory for the same sample (including, for quality control purposes) and selected the more favourable results containing the higher gold value, contrary to industry practice. Boily inputted the higher gold values into the Assay Database and destroyed conflicting COAs;

(d) **Prepared Misleading Press Releases** – prepared Bear Lake press releases that contained the above-noted manipulated and inflated data, which were subsequently issued to the market. Manipulated results were often featured prominently in Bear Lake press releases and were accompanied with technical commentary which highlighted the “high-grade results” which were alleged to demonstrate “deep high-grade gold values,” “deeper extension and continuity” of the Bear Lake gold zone, and “intensity” and “great potential” of a “strong gold mineralized system” for Bear Lake which “remain[ed] open to depth”.

21. In one press release, dated July 14, 2009, Bear Lake issued additional results for drill hole intercepts which had been re-assayed due to “suspected” tellurides. Several of these re-sampling results were highlighted by Bear Lake as demonstrating a “significant increase in gold content” which “should have a positive impact on the upcoming resource estimate.” These highlighted results were all fabricated by Boily. In some cases, Boily was further inflating gold values which had already been previously inflated by him in prior press releases.

(b) **Boily Misled Independent Qualified Persons**

22. In addition to the above, Boily frustrated the work of and misled independent Qualified Persons (“Independent QP”) retained by Bear Lake to verify data for the Larder Lake Project. The Independent QPs were retained by Bear Lake to prepare a technical report in support of a mineral resource estimate for the project, as required by section 5.3 (“Independent Technical Report”) of NI 43-101. Among other things, Boily:

(a) **Provided Altered COAs and Manipulated Assay Databases to Independent QPs** – provided Independent QPs with COAs and Assay Databases which had been manipulated by him with, among other things, inflated gold results. Boily had also purposely omitted from these databases all assay results from wedge holes that had poor core recovery within the mineralized zone in order to avoid an Independent QP from potentially downgrading the resource estimate;

(b) **Replaced Core Being Verified by Independent QP** – provided an Independent QP with core from an unrelated hole which he represented as core from Hole #57AW. Hole #57AW was publicly reported as containing 15.1 g/t of gold yet

was tested by an Independent QP as containing a negligible amount (0.6 g/t) (see Table above). Boily replaced the core in order to deceive the Independent QP;

- (c) **Provided Manipulated Drill Core Log to Independent QP** – caused data to be altered within a drill core log for Hole #57AW. The log was then provided to an Independent QP in order to further Boily’s deception involving the gold results for Hole #57AW; and
  - (d) **Provided Additional False Information to Independent QPs** – provided additional false information to Independent QPs in order to mislead, including untruthful explanations to address discrepancies encountered by Independent QPs during the data verification process as well as false information regarding the availability of core and sampling materials for the purposes of data verification.
23. Only after his misconduct was uncovered, did Boily admit to having engaged in some of the misconduct described in paragraphs 20-22 above.
- (c) **Fraud, Market Manipulation, Misleading / Untrue Statements and Conduct Contrary to the Public Interest**
24. Staff allege that by altering COAs, manipulating Assay Databases, causing press releases to be issued which contained inflated gold results and engaging in the further conduct described above, Boily engaged in conduct that he knew, or reasonably ought to have known, perpetrated a fraud and resulted in or contributed to an artificial price for Bear Lake securities, contrary to subsections 126.1(a) and (b) of the Act.
25. Staff further allege that the press releases prepared by Boily also contained misleading and untrue statements regarding gold results for the Larder Lake Project, which Boily knew or reasonably ought to have known would reasonably be expected to have a significant effect on the market price or value of Bear Lake securities, contrary to subsection 126.2(1).
26. Staff further allege that the conduct of Boily described above was contrary to the public interest and abusive to the integrity of Ontario’s capital markets.

27. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED AT TORONTO** this 29<sup>th</sup> day of March, 2011.