

Shareholders suffer on Reuters Anonymous Tesla tip while Insiders Hit the Lottery

I don't even know where to start with this. The long suffering shareholders? The recently suffering shareholders who got taken in the market scam? New shareholders who are getting pummeled by the recent PEA? Reuters' shoddy reporting and follow-up? No matter where you look at Giga Metals Corporation (TSXV: GIGA | OTCQB: HNCKF), there are problems.

First off, I have no horse in this race. I'm not short, I'm not long. In fact, I'm predisposed to like Giga Metals due to the high-quality reputation of CEO Mark Jarvis (who I don't know but he was an advisor to a company where I was a director) and the world-leading metallurgist Dr. David Dreisinger (who I do know and deeply respect). I also have run into some of the other Giga people over the years.

But.

Let's start with the obvious. There was a securities scam related to Giga Metals perpetrated against the market in early September. The background facts, together with a chart showing the insiders' staggering profits, are here. The only question is, who was the criminal. There are only three possible answers:

1. One or more of the insiders who exercised cheap derivatives and conned the journalist into writing the untrue Tesla-related story
2. One or more of the insiders who exercised cheap derivatives and the journalist was a willing participant in the scam

3. The journalist did it for reasons of her own, with the insiders just as surprised as the rest of the market but gleeful at their sudden ability to sell roughly \$8,100,000 of their stock.

The journalist alleged that Giga was in discussions with Tesla Motors to help develop Giga's Turnagain nickel project in northern British Columbia. That made the stock price skyrocket all the way to a high of \$2.55 in mid-September, with five insiders pounding on the bid. Reality is a cold shower, though. The stock has toppled since the spike, as Mr. Market comes to grips with the fact there is no Tesla deal with Giga, and more importantly, there never were any advanced negotiations with Tesla. The stock closed on Friday October 30 at \$0.55. Whoever bought at the top has lost 80%.

How do we know the story was wrong? Giga told us so in its press release and Giga's CEO said the same to the shareholders at the AGM. More on the AGM below.

Reuters, by the way, refuses to say whether it confirmed the identity of the three anonymous sources credited in the inaccurate article, either before or after publication. My inquiring email to Reuters' ethics commissioner was answered by Heather Carpenter, Senior Director, Communications (a.k.a. 'damage control') with a non-answer.

Giga's AGM was held Thursday, October 22. **I attended virtually.** I emailed the company in advance at Giga's info@ email address because I don't do ambush, and advised I intended to ask questions. I did not record the meeting but did take notes. Mr. Jarvis answered all the questions and told us the following (fairly paraphrased):

1. Who at Giga was in negotiations with Tesla as alleged by Ms. Desai. Answer: we're talking to everyone all the time and everyone else is talking to everyone else all the time, too, but there was nothing in particular with

Tesla

2. When did Ms. Desai contact Giga President Martin Vydra for a quote for her article, meaning Vydra knew the article was coming? Answer: Martin is very well known in critical metals circles in London so it's not a surprise he was contacted. Also he had suggested a few months prior that someone should do an article on the zero carbon emissions side of the Giga Metals story. So this all makes sense that Ms. Desai would contact him a couple of months ago about this
3. Why did five insiders including the Corporate Secretary all decide to exercise cheap derivatives at roughly the same time? Answer: the warrants were expiring, and we don't pay these people very much, and the stock had started a bit of a run, so it's okay they made money in the market
4. Has Giga been contacted by any regulator or police force related to the insider trades or the incorrect article? Answer: not to the best of our knowledge
5. (Here's my favourite) Were any of the people at this shareholder meeting (including all the directors and the Corporate Secretary) one of the three anonymous sources cited by the journalist in her article? Answer: no

I need sumatriptan to work with those.

First, I don't think Mr. Jarvis was the bad guy here. He stood up and took the bullets for the team. First class dude doing his job as CEO. He doesn't seem to be the kind of person to cover up for other people's sins. So, clapping hands for him.

But these answers? OMG. Let's go back to question 1. Essentially he's saying the reporter is full of warty toads. Anyone who's CEO is any industry is always talking to everyone in the industry, so that makes her 'story' irrelevant because it's not news. His answer guts the story.

Question 2 about Mr. Vydra's quote. He knew the story was

coming. He knew. He may not have known the exact date of publication, but he knew it was coming. And as a long-time market pro he had to have known the impact a "Tesla is helping us" story would have on the stock price. Do you think he may have told anyone the story was coming?

Answer 3 begs another question, namely, why did the stock start to run before the story was published? There was no Giga news, no catalyst for any move in the share price up or down. So why did it start to move? A logical guess would be that people expected the incorrect story to be published in the near future, bringing in buying in advance. And if that supposition is right, then at least one of the insiders knew it was coming, because why else exercise cheap derivatives in a vacuum? The only explanation that makes sense is someone at Giga knew the incorrect story was going to soon be published.

Also, note his answer to the question only addressed the warrants, exercised only by Anthony Milewski, who is Giga's Chair and a director. Milewski took over \$6,000,000 out of the market on the back of the incorrect Reuters article. (Jarvis took none.) Jarvis' answer does not address why the insiders exercised 1,300,000 cheap options at roughly the same time, without an explicable catalyst. Again, it seems obvious that one of the insiders knew the incorrect story was going to soon be published.

I back off on question 4. Sometimes the regulators contact a target early, sometimes not. I say a little prayer every morning when I log in that a regulator is actually looking into this. And it's not like the police or the regulators say, Hello, I'm investigating you. So fair dinkum to Mr. Jarvis' answer.

A quick aside. None of the regulators responded to my request for confirmation an investigation is underway, save for the British Columbia Securities Commission whose written response was it doesn't ever confirm or deny whether an investigation

is underway. That's the answer I expected.

As for Question 5 about the anonymous sources, imagine the Chair Milewski (remember, the person who took over \$6,000,000 out of the market and in theory is responsible for corporate governance) looking around the boardroom and asking, Were you the anonymous source? Who's going to put up a hand and say, Yeah, you caught me, I was the one who lied to the reporter. The company's position is, nope, none of us was an anonymous source, nothing to see here, move along.

Additional info. Stockhouse manages a fairly robust bulletin board for public companies. Half of the time the content from users is personal theories, half of the time it's correct, half the time it's unintelligible ranting. (If you think the contents at Stockhouse is a little wacky, try Hot Copper out of Australia. Those users have a few kangas loose in the top paddock.) One user (Baylee) posted, "I also hear that there is an investigation going on and not only with Giga Metals but with Anthony himself. I also heard that he defrauded the company and paid the journalist secretly and Mark was involved."

Minimal credibility to that. Too vague, no details, no source credited.

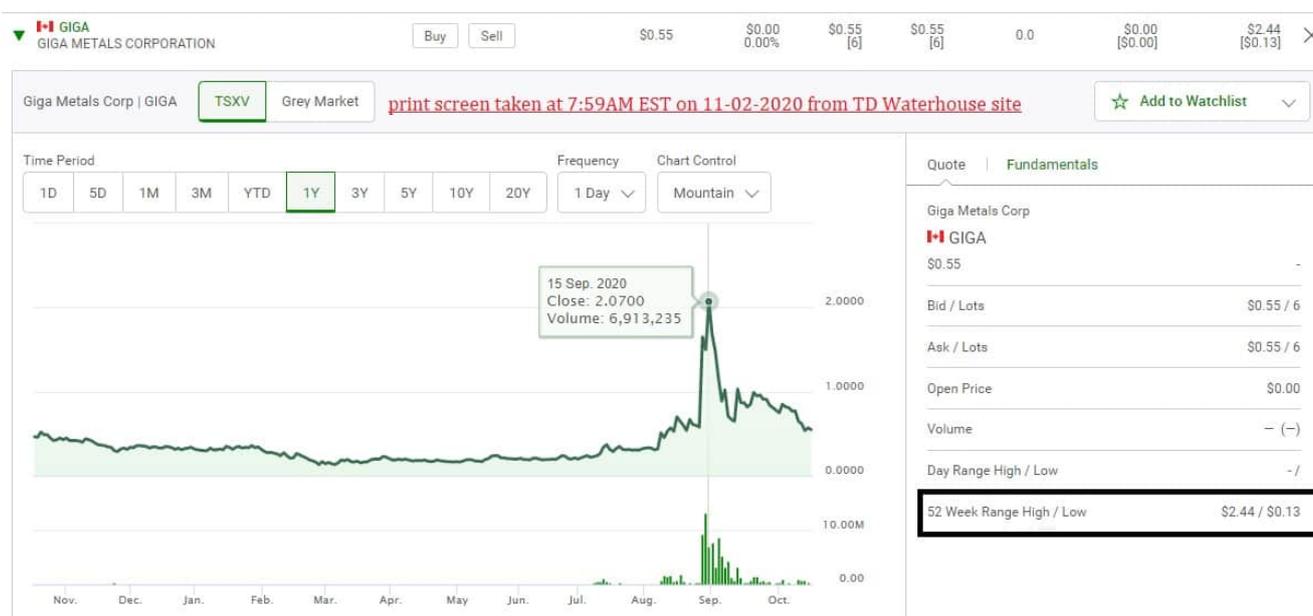
But this user Gorddino? Sources and details:

"I reported Giga at the time to the OSC and IIROC by filling out there form and I also sent a link from Mr Perry's article. I believe that was his name...On the form I misspelled my email address but my phone number was there. I got a call about 10 days later form a woman at the BCSC office and she told me that the OSC transferred it to them as there in charge even though they trade on the venture because there based in BC. We got talking for over 30 minutes. She was very pleasant and she told me a few things and what her thoughts were with the info I had given..Don't want to say what she exactly said but she

then got my right email address and sent me a letter with a file number.”

This user? Credibility. A betting person would put money on the investigation prop.

And the stock price continues to erode. The stink associated with the scam is part of it, but the arm’s length shareholders just can’t catch a break. On October 28, the company issued a press release about its Preliminary Economic Assessment. Look it up for yourself and make your own judgment. To my eye, it’s a disaster – the cratering stock price seems to agree. An eye-catching piece from the press release: “Industry standard processing with current smelting and refining charges delivers pre-tax IRR of 6.3% at base case pricing of US\$7.50/lb Ni and 9.4% at ESG-premium pricing case of US\$8.50/lb Ni”. In other words, it ain’t ever going to make money, so who would ever finance this? Hence the diving stock price.



This feeds back into the timing and content of the Reuters story. A board of a mining company always knows the progress of a document as important as a PEA on its singular asset. In August the Giga insiders would have known the contents and conclusions of the PEA, the view of the independent professionals, the timing for its delivery and the negative

impact the PEA would have on the share price. It would not take a lot of creativity for an amoral insider to see this, and to plan a route out. You know, like a Tesla-linked arm's length article that would provide the insider with plausible deniability.

Two last facts. A shareholder meeting is almost always chaired by the Chair on the company. I've been in the public markets since 1992; the only times I've seen a non-Chair chair the meeting were due to health issues or it was expected the meeting would have some degree of conflict. Milewski is the Chair and was on the call for the October 22 shareholder meeting, but the meeting was chaired by external legal counsel. Why would Giga go the expense of hiring external legal counsel to do the Chair's job when the Chair was actually on the call? The only answer that makes sense is Giga did not want him front and centre, so they hid him behind the lawyer and Jarvis' credibility.

Last fact. Milewski and the reporter have a documented relationship dating back to at least 2017 when she did an article on another company in which he was involved.

Draw your own conclusions.

I admit some of this is dot-connecting and theorizing. We are still missing some facts. I'm still counting on the regulators to do something to protect the investing public that got Ned Beattied here.

Clausi on Giga Metals

insiders riding the Reuters' Tesla story and the regulators who turned a blind eye

For background, you can't do better than read Chris Parry's excellent article here. To summarize, some insiders at Giga Metals Corporation (TSX.V: GIGA | OTCQB: HNCKF) exercised cheap derivatives (including stock warrants at \$0.08 and options at \$0.20), and a few short weeks later the stock magically sprinted to \$1.65, eventually topping \$2.00. Some insiders pounded bids and aggressively took millions of dollars out of the market into their own pockets.

Anthony Milewski, Giga's Non-Executive Chair and a board member, sucked over CAD\$6M out of the market on Giga's sprint. Giga's President Martin Vydra took close to \$2M out of the market as he sold sold sold. Chair Lyle Davis exercised his options on September 9. He then promptly traded his shares for other people's cash, to the tune of about \$124k. CFO Matt Anderson grossed 'only' \$142k out of the market. The Corporate Secretary Leslie Young got in on the exercising and the selling, taking over \$100,000 out of the market.

Pulled from Sedi.ca, here's a summary of their respective costs and the stunning profits realized:

	Milewski	Vydra	Anderson	Young	Lyle
Number of Warrants Exercised	1,500,000				
Warrant Exercise Price	\$ 0.08				
Number of Options Exercised	500,000	500,000	100,000	100,000	100,000
Option Exercise Price	\$ 0.20	\$ 0.370	\$ 0.575	\$ 0.10	\$ 0.10
Gross Proceeds on Sale	\$ 6,294,000	\$ 1,525,120	\$ 142,000	\$ 103,170	\$ 124,000
Net Proceeds	\$ 6,074,000	\$ 1,340,120	\$ 84,500	\$ 93,170	\$ 114,000

What happened to make the share price take off? An obscure

journalist named Pratima Desai wrote an article, distributed with the credibility of Reuters behind her on September 10, alleging Giga was in discussions with Tesla Motors “...about helping to develop a large mine that would give the electric carmaker access to low carbon nickel for its batteries, three sources familiar with the matter said”. *The Globe and Mail* reprinted her story on **September 11**. *The Globe* and Reuters have a controlling shareholder in common so the reprint was normal course. Giga Metals moved up +184.48% that day.

The problem is, Desai’s story wasn’t accurate.

Does Giga have a deal with Tesla? Definitely no. How do we know? First, no deal has been announced – the absence of evidence is in itself evidence. Second, **Giga itself put out a news release on September 11th saying there isn’t a deal** (link here). Third, because any insider who exercised options while those material negotiations were underway would have been breaking insider trading rules. And lastly, from a human perspective, if negotiations with Tesla were that advanced with the future so bright they’d have to wear shades, the selling insiders would not have been bid bangers. So no Tesla deal.

There are a lot of weird parts to this story. Desai and Anthony Milewski, Giga’s Non-Executive Chair and a board member, have history involving a story she earlier wrote about his prior company, Cobalt 27 Capital Corp. Giga’s President Martin Vydra was actually quoted in Desai’s story, so he knew it was coming. Davis exercised his options on September 9, the day before Desai’s story hit the wire. And this isn’t an area Desai usually covers, so why did she write it and why did Reuters allow it to go to press? And why hasn’t Reuters withdrawn the story or apologized for shoddy reporting?

Chris Parry has been chasing Reuters for answers. In an email he shared with me, Reuters wouldn’t confirm or deny it had verified Desai’s anonymous sources prior to or since running

her story. That's crummy journalism.

There are only three possible plotlines here that make any sense:

1. Insiders knew the story was coming and Desai was a willing participant in a market scam.
2. Insiders appear to have known the story was coming and Desai was duped into writing it.
3. Insiders were as surprised as everyone else by Desai's grossly inaccurate reporting, leading one to wonder why she wrote the story in the first place.

If you follow Chris Parry's Twitter feed you'll see an implied litigation threat from Milewski. Parry's response was "If you're coming, you better come strong, Anthony." Parry confirmed to me in writing on October 3 that he knows of no such litigation against him.

It's a strange mess, made worse by the fact it's not just bandits in this story. Good people work at Giga too, people with long credible histories in mining and the public markets. They are going to be tainted by this for a long time. They don't deserve it and they ought to be furious. They need justice.

Then there are the market participants who believed Desai's story and bought stock at elevated prices. **Those are real people who lost real money.** With the stock firmly on a downward trend and no Tesla deal, they need justice, too.

And 'the markets' generally deserve justice. A scam like this is so obvious it seriously undermines the public's faith in a fair and open market. **This makes Bre-X look like a George Clooney casino job.**

But from whom are they going to get justice? It's been almost a month since Desai's inaccurate story was published. We've seen nothing from IIROC, the TSX Ventures Exchange, the

British Columbia Securities Commission or any securities commission in Canada, the Ontario Provincial Police fraud squad, or the Royal Canadian Mounted Police. All have jurisdiction, no one seems to be doing anything.

Of the list, the most likely regulator to do anything is the BCSC. It has incredibly broad investigative powers given to it in sections 142 and 143 of the *British Columbia Securities Act*, powers that could be used to pitchfork through this manure pile. It can search premises, compel the production of documents, and, editing section 143(1)(e):

An investigator appointed under section 142 or 147 may, with respect to the person who is the subject of the investigation, investigate, inquire into, inspect and examine the relationship that may at any time exist or have existed between that person and any other person by reason of

- 1. investments made,*
- 2. commissions promised, secured or paid,*
- 3. interests held or acquired,*
- 4. the lending or borrowing of money, securities or other property,*
- 5. transfer, negotiation or holding of securities or the trading of or holding of derivatives,*
- 6. interlocking directorates,*
- 7. common control,*
- 8. undue influence or control, or*
- 9. any other relationship.*

Let's find out who the bad guys in this story are. Go ask some basic questions of the Giga insiders. **What was the relationship between Desai and any of the insiders at Giga?** When did the insiders find out Desai was writing the article and when did they find out it would be published? Why did all of you decide to exercise warrants and options at more or less the same time? **Was Giga ever in discussions with Tesla as alleged in Desai's article?** Did Giga's board or governance

committee have a meeting after Desai's article was published, and if so, where are the minutes? Follow the trades through IIROC and all registrants.

Ask Desai, who were your sources? (I don't expect her to answer that one.) What's your relationship with anyone at Giga? Please produce your drafts of the article. Did you contact Martin Vryda for the quote for your article, or did he contact you first? What motivated you to write this story? Were you compensated in any way for writing this article?

Have a session with Reuters. Did you verify the anonymous sources before you ran Desai's story? After? Without disclosing their identities, do you know who they are? Did you ask Desai why she decided to write a story out of her usual coverage area? When did she come to her editor / publisher with the idea for the story?

And finally, the BigFun, invite Tesla to answer whether it was in meaningful discussions with Giga at any time. Remember the BCSC has the legislated powers to make Tesla's life hell, and Tesla will want to engage rather have a repeat of its SEC battles.

Simple questions, the answers to which will show who the malfeasors are.

The BCSC has the best chance of bringing justice but the TSX-V has some authority here as well, though it (like IIROC) has to be careful not to punish the shareholders for someone else's sins. It has the authority to manage its own affairs including who is allowed to be an officer or director of a company listed on it, and it has a well-staffed compliance department. So investigate! If the bad guys are insiders, remove them and ban them from other companies on your exchange, too. Work with the OSC and the BCSC to have them permanently banned from trading in Canada's markets. Do proactive work to reach agreements with Canada's other exchanges so that in the future

in a case like this a ban from one is a ban from all. Think big and reach a similar reciprocal agreement with the *Securities and Exchange Commission*.

I don't have much faith in the other regulators. Look at the Bre-X mess that led to the creation of *National Instrument 43-101*. Even in that vast criminal enterprise, the only person ever prosecuted was John Felderhoff, and he was ultimately acquitted. The OSC put as much effort into fighting his lawyer (the bearded and wonderfully annoying advocate Joe Groia) as it did in the actual case against Felderhoff!

The exchanges and the commissions, despite having considerable power, make policy decisions not to get involved where they have to do too much work. Too great an investment of resources only to reach an uncertain conclusion and a likely appeal, they say. They would prefer law enforcement (OPP fraud squad and the RCMP) to investigate and take the perps away in cuffs, like in the United States. Jail time and massive fines are effective general deterrents.

Ultimately, I fear, the only 'justice' is going to come from class action litigation that will drag for years, cost Giga time and money, distract Giga from what it should be doing, punish the shareholders, and ultimately be settled under the company's D&O policy without any admission of liability. We may never know who the criminals are here.

Consider this a call to arms, a rallying cry, a challenge to the regulators and their own governing bodies. Don't put together yet another committee headed by a Bay Street lawyer for the sake of optics. Make real change. You know what the problems are so go fix them! Get more power and use it responsibly. Don't waste time on a broker who accidentally printed a blue ticket instead of a pink. Go elephant hunting. Work with law enforcement to coordinate investigations and share as much information as constitutionally possible. **Investigate, charge, prosecute.** Repeat as needed. Nothing else

will restore the public's faith in a fair marketplace.