

# 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.

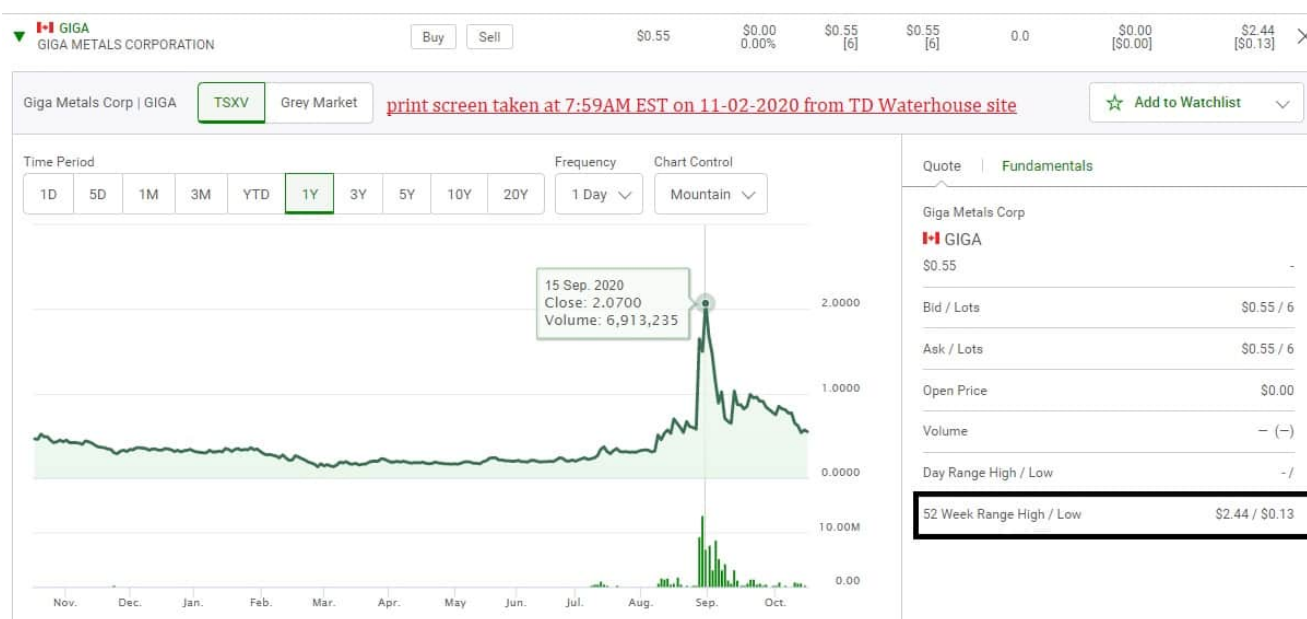
But this user Gorddino? Sources and details:

"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.