

3 July 2009

Media Statement – For immediate release

Life ban for Canadian-based former AusIMM member

A geologist and former chief executive of Canadian-based company Southwestern Resources Corp, John Gregory Paterson, has been permanently barred from re-applying for membership of The Australasian Institute of Mining and Metallurgy (The AusIMM).

The Board of The AusIMM has ratified the lifetime ban on the recommendation of the Institute's Ethics Committee. The Board has also directed that details of the penalty be published for the information of AusIMM members and other interested parties. The combination of lifetime ban and publication of the penalty is the most serious sanction that The AusIMM can apply against a person who has breached The AusIMM Code of Ethics. The Code exists to uphold the integrity of the mining professions and public confidence in the professional conduct of members.

The AusIMM Board suspended Mr Paterson's membership in June 2008 following several requests seeking his response to a formal complaint laid against him through The AusIMM's disciplinary process. The decision to suspend membership was taken pending the outcome of civil and regulatory action against him alleging that he had committed fraud by entering into the company's database false assay results related to Southwestern's Boka project in China.

The Ethics Committee of The AusIMM found that Mr Paterson was guilty of multiple breaches of the Code of Ethics, but notably Clause 3 (*Members of The AusIMM shall, on all occasions, act in a manner which upholds and enhances the honour, integrity, honesty and dignity of the profession*) and Clause 9 (*Members of The AusIMM shall comply with all laws and government regulations relating to the minerals sector and shall keep up to date with relevant laws in jurisdictions in which they conduct business, and members dealing with public companies shall comply with the rules, regulations and practices governing such companies as are published by the relevant stock exchange from time to time*).

The AusIMM's decision to bar Mr Paterson follows closely on a statement on 25 June 2009 by the British Columbia Securities Commission (BCSC), which announced that it had settled its action against Mr Paterson, who admitted to fraud and illegal insider trading.

In addition to admitting to entering false assay results, Mr Paterson also admitted to causing the false data to be reported in 24 news releases between 7 March 2003 and 21 February 2007. He further admitted to illegal insider trading through selling Southwestern shares in July 2007 at a time when he knew the company would have to issue a news release correcting the gold assay values for the Boka project. That news release resulted in a plunge in the value of Southwestern shares.

As part of the settlement agreement with the BCSC, Mr Paterson undertook not to act as a Qualified Person in his lifetime. (A Qualified Person has similar responsibilities to a Competent Person as defined by the JORC Code.) He has also been permanently banned, with limited exceptions, from trading securities or acting as a director or officer. The agreement also bars Mr Paterson from acting in a management or consultative capacity in connection with activities in the securities market.

The BCSC statement said that Mr Paterson had voluntarily contributed all of his assets in settlement of lawsuits and was unable to pay fines of approximately Can\$3.5 million to the BCSC. Mr Paterson is expected to face criminal proceedings relating to the fraud.

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