

Also where it falsely stated that the surplus assets, as appearing in the last balance sheet, amounted to a certain sum.¹

So where it stated that a certain mine was in full operation and making handsome returns, when it was quite worthless.²

Where the prospectus of a company, which was formed to buy a mine, contained extracts from the report of an expert in such a way as to give a false impression of that report, conveying the idea that the mine was identical with a rich one near by, it was decided that the subscriber was entitled to relief.³

So too where the prospectus falsely stated that certain persons were to be the directors.⁴

So also where it is stated that the company has purchased a property, when in fact, it was only negotiating.⁵ Again where it contained statements to the effect that persons whose requirements would make them extensive customers had ordered goods for use, so that when the company started, a large business might be expected, whereas many of the orders were mere trial orders, on some of which the purchasers were to pay reduced prices or not at all if the trial proved unsuccessful. The directors in this case did not show that they had reasonable ground to believe these statements to be true, and so were held with the promotor, liable for damages to the subscribers.⁶ But it must be borne in mind in reading English decisions as to the liability of directors on an action on deceit that, by the Directors Liability Act of 1890, when once the statement is proved to be untrue, the burden of proof rests upon them to show that they had reasonable grounds to believe the statements to be true and did so believe them. We have no such act.

If the prospectus represents as facts, the matters stated in reports, which it refers to, the subscriber will be relieved should they prove false.⁷ But if the prospectus merely refer to the report, giving all

¹ *Re London & Staffordshire Bank*, 24 C. D., 149.

² *Reese River & Co. v. Smith*, L. R. 4 H. L., 64.

³ *Scottish Petroleum Co.*, 23 Ch. Div., 413; *Anderson's Case*, 17 Ch. Div.,

⁴ *Re Mount Morgan Co.*, 56 L. T., 622.

373; *Smith v. Chadwick*, 20 Ch. Div., 50; *Wainright's Case*, 62 L. T., 30.

⁵ *Ross v. Estates Investment Co.*, *supra*.

⁶ *Greenwood v. Leather, etc., Co.* [1899], W. N., 26.

⁷ *In re Reese River Mining Co.*, L. R. 2 Ch., 611; *Rawlins v. Wickham*, 3 de G. & J., 304.