

Katanga Settles with OSC for \$30 million

December 14, 2018

Katanga Mining Limited, which operates a copper mine and other copper and cobalt facilities in the Democratic Republic of Congo, has entered into a [settlement agreement](#) with Ontario Securities Commission staff, which has been [approved by a hearing panel of the Commission](#), along with eight of Katanga's directors and officers.

Following inquiries made pursuant to Staff's investigation, in July 2017, Katanga announced it was conducting an internal review of its financial reporting practices. On **August 14, 2017, Katanga announced it was re-issuing financial statements from 2014 - 2017**, and on August 15, 2017 the Commission issued a management cease trade order. In November, 2017, a number of Katanga's officers and directors resigned.

In the settlement agreement, which the Commission approved December 18, 2018, Katanga admitted to numerous accounting deficiencies that caused it to misstate **material facts in its financial reporting from 2012 - 2017**. In addition, it failed to disclose the nature and extent of risks posed by certain consulting relationships with a shareholder and certain governmental risks related to the Democratic Republic of Congo. Finally, Katanga admitted to a lack of sufficient internal controls to prevent the other violations to which it admitted.

The directors and officers variously admitted to knowledge of the misstatements and failure to maintain internal controls related to the disclosure. The settlement agreement characterized this as failing to set the "tone from the top", and failure to establish and enforce a culture of compliance.

Katanga agreed to pay a fine of \$28,500,000 and \$1,500,000 in costs. The eight of **Katanga's directors and officers agreed to fines totalling between \$400,000 and \$2,500,000 (including costs)** and prohibitions on acting as directors or officers of issuers for between two and eight years.

This is one of the most significant fines the OSC has levied in recent years, and indicates that the Commission will take the maintenance of a "culture of compliance" seriously within issuers.

By

[Graham Splawski](#)

Expertise

[Securities Disputes](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.