

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

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