

Canadian Government Sets Deadline for Mandatory Resource Extraction Payment Reporting

Canada's Minister of Natural Resources Joe Oliver took the opportunity to use his keynote speech at this week's Prospectors and Developers Association of Canada ("**PDAC**") annual conference to signal the Federal Government's commitment to implement mandatory reporting standards for resource extraction companies. Earlier this year, PDAC along with industry and several non-governmental organizations (the "**Working Group**") came out with their suggested regulatory framework, which is summarized [here](#). The Minister's announcement traced the Working Group's report but differed in some notable aspects.

1. \$100,000 Payment Threshold for All Companies

Minister Oliver noted his government's mandatory reporting standards would require Canadian resource extraction companies to publicly disclose all payments greater than C\$100,000 to all levels of government, both domestically and internationally. This differs from the Working Group's suggested lower \$10,000 threshold for junior resource companies. When criticized for applying only one threshold, Minister Oliver stated that after "balancing the economic cost of a policy with the public purpose" \$100,000 remains a reasonable cut off for any company size.

2. Public and Private Companies Subject to Reporting

While the Working Group suggested a reporting framework for public resource extraction companies, the Federal Government along with the oil and gas industry have endorsed the inclusion of privately-held companies including foreign companies operating in Canada. Under this proposal, any public or private mining or oil and gas company that meets or exceeds two of the three following thresholds would be required to report their payments:

- \$20 million in assets;
- \$40 million in net turnover; or,
- 250 employees.

The inclusion of private companies informs the Federal Government's suggestion that the annual disclosure would not be funneled through a central database or filed on SEDAR, but rather on each company's website. This system assumes audits to ensure accountability; however, Minister Oliver noted that the government has not yet established penalties for inaccurate reporting or non compliance.

3. Federal Government's Willingness to Step In

Though the Federal Government's "preference is to work with provinces and territories to implement mandatory reporting standards through the securities regulators", Minister Oliver is pushing provinces and territories to move up their timeline to enact adequate standards. Adequacy was not defined but the government was clear in its deadline: enact by April 1, 2015 or the Federal Government will step in to enact legislation and put standards in place by June 2015. In addition to having a regulatory framework in place in a timely manner, the Federal Government seems to have set this deadline to prevent a fragmented approach. Rather, Minister Oliver was clear that he wanted all provinces and territories to implement standards "in a Pan-Canadian Approach".

4. Intent to include Payments to First Nations

The Working Group expressly avoided establishing a framework for disclosure of payments to First Nations and Aboriginal groups in Canada but the Federal Government has noted its intent to include payments to these groups. Some First Nations have made their opposition to such inclusion known and may continue to contest the Federal Government's proposed regulations.

5. Additional Highlights of the Minister's Speech

After reminding PDAC attendees that Canada represents approximately 75 per cent of the world's mining industry, Minister Oliver highlighted the Government's additional actions to strengthen Canada's leading mining industry. These include: the Mineral Exploration Tax Credit provided for in this year's Economic Action Plan; the Country's aggressive international free trade agenda; the Government's plan for Responsible Resource Development; and, a seven-year commitment to the Geo-Mapping for Energy and Minerals Plan to aid exploration companies in finding mineral deposits.

In his keynote address, Minister Oliver made clear that implementing a payment disclosure requirements is a priority for the Federal Government; however, the details of the framework have yet to be finalized and consultation with the provinces, Aboriginal groups, industry, and nongovernmental organizations continues. Public and private companies should take this opportunity to prepare internal accounting systems and track payments as the deadline for mandatory disclosure looms. We will continue to provide readers with updates as to material advancements in the legislative process.

by [Morgan T. McDonald](#)

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[a cautionary note](#)

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