

CANADA FREEZES SHANDONG OUT OF THE ARCTIC

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On December 21, TMAC Resources Inc. announced that its proposed sale to Shandong Gold Mining Co., Ltd., a Chinese state-owned gold miner, had been rejected by the Government of Canada on national security grounds. TMAC operates the Doris gold mine in the Hope Bay region of Canada's northern territory of Nunavut.

As is customary in national security matters, the Government did not provide an explanation of its reasons for rejecting the investment. The Doris mine is located in Hope Bay, Nunavut, near tidewater on the strategic Northwest Passage. This location potentially implicates concerns relating critical shipping routes as well as Canada's national defence. This decision also follows the Government's April 2020 announcement that it would be [increasing its scrutiny of foreign investments into Canada in response to the COVID pandemic](#).

In 2015, the Government also blocked a proposed investment by China-based Beida Jade Bird Group to build a fire-alarm systems factory in rural Quebec likely due to proximity to the Canadian Space Agency.

The national security review regime, which is administered under the federal *Investment Canada Act*, can involve a very long process – often up to 200 days or longer with investor consent. These timelines were made even longer (up to 260 days or longer with investor consent) as part of the Canadian government's response to the COVID pandemic – see our [August 2020 bulletin](#) discussing the temporary extended timelines set to expire at year-end. In this case, the process took almost 200 days from the date of filing.

Shandong's proposed investment in TMAC is not the first instance this year where Canada took a closer look at a gold mining acquisition. This past May, Endeavour Mining Co. received a national security preliminary assessment in connection with its proposed acquisition of Semafo Inc. Notably, Semafo's gold-mining assets are located in Africa and the Government decided not to initiate a full national security review of that transaction.

While interventions by the Government in foreign investment transactions are rare from a historical perspective, such interventions are becoming more common with respect to national security concerns. As a result, investors and Canadian businesses should consider potential national security risks carefully when contemplating a transaction or a new investment into Canada that involves a non-Canadian investor.

Please reach out to us or your usual McMillan or McMillan Vantage contact if you have any questions about

these developments or in connection with a new investment in Canada. We would be very pleased to explore with you any national security risk implications of transactions which you may be contemplating.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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