



ANNUAL REPORT 2005

MiningWatch Canada Members in 2005

Bathurst Sustainable Development
Bedford Mining Alert
Canadian Arctic Resources Committee (CARC)
Canadian Auto Workers (CAW) Social Justice Fund
Canadian Environmental Law Association
Canadian Parks and Wilderness Society (CPAWS)
Citizens' Mining Council of Newfoundland
Development and Peace
Environmental Mining Council of British Columbia (EMCBC)
Friends of the Earth
Innu Nation
Inter Pares
Kairos - Canadian Ecumenical Justice Initiatives
Nature Canada
Northwatch
Sierra Club of Canada
Sierra Legal Defence Fund
Steelworkers Humanity Fund
SUCO: Solidarité-Union-Coopération
Transboundary Watershed Alliance
Yukon Conservation Society (YCS)

MiningWatch Canada Advisors

Earl Commanda
Stephen Hazell
Dr. Isobel W. Heathcote
Moirra Hutchinson
Ovide Mercredi
Dr. Donna Mergler
The Very Rev. The Hon. Lois M. Wilson
Alan Young



MiningWatch Canada staff, from left to right: National Coordinator Joan Kuyek, Research Coordinator Catherine Coumans, Communications Coordinator Jamie Kneen, and Administration and Resource Development Coordinator Susan Murdock.



MiningWatch Canada

Mines Alerte

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What is MiningWatch Canada?

MiningWatch Canada is a coalition of twenty-one different environmental, social justice, labour, Aboriginal and development organizations. We were formed in 1999 because these diverse organizations saw an urgent need for a co-ordinated public interest response to the powerful mining interests that lobby to undermine the regulation of mining in Canada and by Canadian companies operating internationally.

We work by:

- supporting communities affected by mining through research, technical assistance, the review of technical documents, capacity building, meetings and exchanges, and campaigning;
- carrying out major, academically credible research projects on issues that our members and the communities bring to us, such as abandoned mines and mine closure, the full costs of mining to the public purse, health impacts of mining on communities, issues of mining in remote areas, or in the boreal, submarine tailings disposal;
- advocating for changes to the laws and policies that enable irresponsible mining in Canada and by Canadian companies operating internationally;
- working with coalitions and allies in educating the public, submitting briefs to government, and participating in government-led multi-stakeholder consultations.

For seven years our small staff has been working with our members and other groups in Canada to represent the interests of affected communities and protect the environment - and to oppose profit-at-any-cost mining operations.

The Policy Impact Evaluation

In February 2005, consulting group South House Exchange completed a *Policy Impact Evaluation of MiningWatch Canada*. They conducted case studies that covered “a broad range of MiningWatch Canada’s activities, permitting an in-depth examination of its strategies, working methods, and impact,” and concluded that “the impact of MiningWatch Canada’s work in the first five years of its operations has exceeded reasonable expectations...” Among the key success factors found, they cited:

- the credibility of MiningWatch Canada’s research

- our ability to leverage our capacity by working in coalitions
- our multi-dimensional set of strategies
- our comprehensive critique of the mining industry.

Highlights of 2005

The clearinghouse on mining information

Our role in making information and analysis available to the public — and communities affected by mining — is of increasing importance. We do this principally through the activities described below.

On the Ground Research - In 2005, we provided research and technical assistance to 65 communities in Canada and 43 internationally, as well as assistance to 33 other organizations, often responding to a series of requests. Levels of effort ranged from detailed analysis of an Environmental Impact Assessment to finding contact information for a technical expert for a community activist.

The web site - In 2005, MiningWatch Canada re-organized its web site by geographic region, issue, and company to enable users to more easily find educational materials and links for further information. The site, www.miningwatch.ca, received 2,357,705 hits (6,459 per day) or an average of 345 visitors per day, a 250% increase in hits and 262% increase in visitors from last year.

Coalitions - We can best leverage our small staff and limited resources for greater impact through work in coalitions where we facilitate, inform and promote mining issues to raise awareness and mobilize public action in favour of responsible mining practices nationally and internationally. In 2005, we were members of five Canadian coalitions/working groups:

- The Canadian Environmental Network (RCEN):
 - participated in Mining Caucus (co-chair)
 - participated in Environmental Planning and Assessment Caucus (steering committee and working groups)
 - represented RCEN on Mine Effluent Neutral Drainage program (steering committee)
 - represented RCEN on the National Orphaned and Abandoned Mines Initiative (NOAMI)(committee chair)
 - represented RCEN on the Fisheries Act Metal Min-

In 2005, we were operating in a global context that included rising prices for gold, nickel, uranium, copper and other commodities due to the rapid industrialization of China and the speculation that accompanied it. Increasing depletion of resources in older mining areas put pressure on areas that had not previously been staked or mined, often on indigenous lands. There was massive growth of exploration investment and huge mining company profits, accompanied by a powerful public relations offensive from the mining industry and greater use of violence against mining activists in the Third World. In Canada, the regulatory “race to the bottom” was led by British Columbia’s new Mining Plan released in early January 2005, and by proposed changes to the federal Environmental Assessment Act and Fisheries Act as well as the proposed “Smart Regulations” measures.

- ing Effluent Regulations Advisory Group (MMER-MAG)(steering committee)
- represented RCEN on the Base Metal Smelters Advisory Group (BEMAG)
- represented RCEN on the Mining Sub-Committee of the National Pollutant Release Inventory (NPRI) Working Group
- represented RCEN on the Mining Sector Sustainability Table (MSST)
- The Canadian Council for International Cooperation and its working groups:
 - Africa Canada Forum
 - Americas Policy Group
 - Asia-Pacific Working Group
 - Militarized Commerce Working Group
- The Green Budget Coalition
- The Ontario Mining Action Network (OMAN)
- The Halifax Initiative (coordinating committee)

Events

- Regulating Canadian Mining Companies Operating Internationally (October): Our major event in 2005, described in more detail below.
- Yukon Mining Activist Meeting (March): A three-day meeting in Whitehorse of mining leaders in the Yukon facilitated by MiningWatch Canada on behalf of the Yukon Conservation Society and Transboundary Watershed Alliance.
- Ontario Mining Action Coalition (May): A capacity building gathering held in Sudbury with participation from First Nations, environmental organizations, mining-affected communities and a mineworkers' union.

Research and Publications (available on our web site)

- ***Understanding Mining Rights in Ontario*** by Lara McGuire and Jonquille Pak: Information includes an explanation of the process for disputing a mining claim by following provisions in the Mining Act. August 2005.
- ***Mining Closure Plans: Your Right to Know! Information on how to review and comment on a Mine Closure Plan*** - based on Part VII of the Ontario Mining Act and enabling Regulations. August 2005.
- ***Policy Framework for Regulating Canadian Mining Companies Operating Internationally***, and supporting documents. (See “*Regulating Canadian Mining Companies*” below). October 2005.
- ***Protecting Fish/Protecting Mines: What is the Real Job of the Department of Fisheries and Oceans?*** by Susan Isaac, September 2005.

Green accounting for mining projects

The publishing of ***Looking Beneath the Surface: An***

Assessment of the Value of Public Support for the Canadian Metal Mining Industry and Understanding Mining Taxation has contributed considerably to the discussion over the actual economic contribution of mining. 2005 saw the introduction of mining royalties in Peru and Chile for the first time. As well, the federal “focused flow-through shares” program was not renewed before it expired at the end of 2005.

We participate in the Green Budget Coalition — focused on recommendations on the annual federal budget — which includes 21 of Canada’s leading environmental and conservation organizations.

We raised ecological accounting issues in interventions on environmental assessments (EAs) and mineral development strategy proposals, including:

- the Nunavut *Draft Minerals Strategy*
- the Ontario *Draft Mineral Development Strategy*
- the Victor Diamond Mine *Environmental Assessment*
- the Kemess North Mine *Terms of Reference and Draft EA Guidelines*
- the Red Chris Mine *Environmental Assessment*
- the Tulsequah Chief Mine *Environmental Assessment*
- the federal *Northern Strategy for Minerals*

Challenging the privileged access of mining to land

Mining trumps all other land uses in Canada and in most jurisdictions around the world. Specific exploration and mine development projects often bring indigenous and traditional communities and other surface rights holders into conflict with mining companies. Highlights of 2005 included the following:

Ascendant Copper in Ecuador

North-western Ecuador is facing the possibility of a huge open-pit mine in the middle of one of the most bio-diverse areas in the world — the Intag cloud forest. There is widespread and fervent opposition to plans by Canadian company Ascendant Copper Corporation to build a mine and possibly also a smelter and hydro-electric dam. The company has openly admitted funding a community front group to promote the mining project and to undermine the authority of the County government by creating a new (pro-mining) County. There has been a barrage of threats, interference and attempted intimidation, including death threats, against opponents of the project.

Working with an Ecuadorian conservation organization, DECOIN (*Organización para la Defensa y Conservación Ecológica de Intag* - Intag Organisation for Ecological Conservation and Defence) and Friends of the Earth Canada, MiningWatch Canada helped develop a coalition in Canada to oppose Ascendant’s efforts to list on Canadian stock exchanges based on incomplete and false information, arranged for a DECOIN representative to tour in Canada, met with government agencies and the Ontario Securities Commission, filed a complaint with the Canadian Government under the *OECD Guidelines for Multinational*

Enterprises, and made sure Canadians were informed about the issue.

Glamis Gold in Guatemala

Canadian company Glamis Gold's Marlin Project in Guatemala's indigenous western highlands, was surrounded by controversy and conflict even before the World Bank's private lending arm, the International Finance Corporation (IFC), approved \$45 million in support for the project in June 2004. In 2005, the Guatemalan environmental organization MadreSelva filed a formal complaint with the IFC's Compliance Advisor Ombudsman (CAO) in which it cited the threat posed by the high volume of water needed for the mine, the potential contamination of the environment and water supply, the violation of the rights of indigenous peoples who had not been adequately consulted about its impact, and the exacerbation of social tensions, violence and insecurity. The CAO report found a number of serious shortcomings in the project but failed to recommend cancellation of the loan.

MiningWatch Canada worked with FUNDAMAYA, Friends of the Earth Canada and other groups to provide research and, together with over 20 other organisations, raised public awareness strategy in Canada and advocated with the Canadian government to cease their support of the mine and to pressure the Canadian ambassador to Guatemala to desist in his uncritical promotion of the project.

Testimony Before Constitutional Court in Indonesia

In June, at the invitation of the Indonesian mining activist network JATAM, MiningWatch Canada testified before the Indonesian Constitutional Court as an expert witness about the impacts of mining. JATAM and other groups had filed a petition stating that mining in protected areas violated the constitution and raised concerns about the further degradation of Indonesia's forests, already under threat from illegal logging, slash-and-burn agriculture and urban expansion.

The Constitutional Court ruled that the 13 companies, which included local and foreign mining companies, be allowed to mine in the forests because they had signed contracts to do so before a 1999 law banned the practice. However, the court recognized the environmental devastation caused by open pit mining in protected forests and banned six companies — still in feasibility study and exploration stages — from practising open pit mining.

The British Columbia Mining Plan

In January, the provincial government announced the British Columbia Mining Plan, lowering taxes and reducing mining regulations, which was quickly followed by the introduction of internet-based claim-staking. Within a matter of hours, a trio of Vancouver-based investors had staked 100,000 hectares in north-central B.C. in the hopes

of discovering a new gold and copper find. Subsequently staking took place all over the remote and pristine north.

MiningWatch Canada responded to this unprecedented assault on First Nations lands: we talked to and supported affected First Nations people, researched the cases and highlighted them on our website; we found technical expertise and intervened on environmental assessments; and we helped British Columbia groups get up to speed on mining issues.

MiningWatch Canada's staff work well in coalitions. They provide leadership and vision, they respond to the needs and perspectives of their partners, and they do not neglect the maintenance functions. They also understand the value of informal networks with their many allies, from counterpart organizations in other countries to friendly line staff in government departments. This approach, and the skill it requires, expands their capacity well beyond that of one small organization.

South House Exchange - Policy Impact Evaluation

Advocating for better regulation, monitoring and compliance

In 2005, MiningWatch Canada battled the increasing trend to voluntary compliance and regulatory capture on a number of fronts: the Fisheries Act, uranium mine licencing, preventing the gutting of the Environmental Assessment Act, getting smelter emissions regulated and the production of asbestos banned, and ensuring that the National Pollutant Release Inventory includes the toxics released to tailings ponds and waste rock piles. Some highlights have included the following.

- ***Protecting Fish/Protecting Mines: What is the Real Job of the Department of Fisheries and Oceans?*** (June 2005) This peer-reviewed report galvanized debate about the effectiveness of "mitigation measures" that form the rationale for the issuance of fisheries authorizations for mining activities under Section 35 of the Fisheries Act. This section of the Act allows the destruction or alteration of fish habitat where "compensatory habitat" can be created, or — as in the case of the Diavik Mine — adequate financial compensation is agreed upon. Stories from communities and First Nations were confirmed by our subsequent research: compensation agreements have been neither monitored nor enforced, and — in many cases — they do not accomplish the protection of fish habitat. The document was downloaded 4,500 within four months of publication.
- Environment Canada proposed to "upgrade" the Metal Mining Effluent Regulations under the Fisheries Act, which set limits for mining discharges to fish-bearing waters. As the representative of the Canadian Environmental Network (RCEN) in the consultative process, we discovered that potential changes to the Act included the addition of as many as seven new lakes to Schedule 2 — the section that converts fish-bearing lakes into tailings impoundment areas. MiningWatch Canada/

RCEN has worked hard to prevent this from happening.

- As part of its “consolidation” of the Environmental Assessment process, the federal government intends to have one central agency that actually does assessments (with help from departments with regulatory authority over the project), to triage projects by their projected size and impact (based on risk assessment), to eliminate about two-thirds of projects currently requiring assessment, and to use a “class screening process” to eliminate

We found that MiningWatch Canada had played a leading role in the creation of the National Orphaned and Abandoned Mines Initiative (NOAMI), a multi-stakeholder process that involves the industry, federal, provincial, and territorial governments, and civil society, in a comprehensive program of work to clean up abandoned mines across Canada.

South House Exchange - Policy Impact Evaluation

EA for a multiplicity of “small” projects like culverts. MiningWatch Canada has been working with RCEN partners to monitor and influence the direction of these changes through joint letters and lobbying, educating our own members and list serves about the issues, and increasing public awareness.

Focusing on polluter pays and reclamation bonding to prevent abandoned mines

2005 saw a greater awareness of the need to proper reclamation bonding. Highlights from the year included the following:

- **The NOAMI (National Orphaned and Abandoned Mines Initiative) Liabilities and Funding Options Task Group:** We played a lead role in planning the November seminar on “Assessing Liabilities and Funding Options for Abandoned Mines” and ensured that environmental organisations from around the country were able to attend.
- **Marinduque lawsuit:** The Marinduque regional government brought a suit for damages in the U.S. against Placer Dome, the owner of the Marcopper Mine in the Philippines. We organized a press conference in Ottawa to launch the lawsuit and acted as a resource at a seminar on the court case that took place in the Philippines.
- **The Ontario Auditor General’s** highly critical report on of the Ontario Ministry of Northern Development and Mines (December 2005): MiningWatch Canada worked with the Ontario Mining Action Network to circulate a response and raise public awareness about this document, which substantiated most of the issues we had been raising in the province, particular with regard to abandoned mines.

Regulating Canadian companies operating abroad

Canada is the world’s leading mineral exploration nation, with 41% of the world’s larger companies and two-thirds of the smaller companies domiciled in Canada —

and the leading source of capital for the mining industry worldwide, with over 65% of the world’s mining companies listed on Canadian stock exchanges. Canada is home to 85% of mining deals worldwide. In 2004, mining companies sold \$4.2 billion US worth of stock through Canadian markets.

At present, there are no regulations or legal instruments in Canada governing the behaviour of Canadian mining companies operating internationally, and worse, our government promotes policies and practices that in fact enable egregious behaviour. Transnational corporations that operate outside of their home state jurisdiction are not accountable under international law or in most home state jurisdictions for complicity in human rights abuses or environmental destruction. Models of self-regulation developed by international organizations and companies have proven completely ineffective.

Jamison Young worked with us to write a synthesis document, the Policy Framework for Regulating Canadian Mining Companies Operating Internationally, which, along with four case studies commissioned from partners in Chile, the Philippines, Ghana, and Peru, were made public at the October 20 MiningWatch Canada seminar attended by over 80 representatives of civil society, government and industry. Keynote speaker Sara Seck spoke about the legal principles that would allow us to regulate Canadian companies operating internationally.

Getting the case of TVI Pacific in the Philippines before the House of Commons Sub-Committee on Human Rights

In order to make way for a gold mine on the Philippines island of Mindanao, TVI Pacific Inc. has forcefully evicted local residents including some of the ancestral landholders of the area — the Subanon — who hold a Certificate of

On the issue of submarine tailings disposal (STD), the practice of dumping mine tailings into the ocean, MiningWatch Canada led the production of a set of resources called the STD Toolkit. It continues to provide expertise on the issue to activists around the world, including the non-govenmenetal representatives to the World Bank’s Extractive Industries Review. This international effort has resulted in decisions by some mining companies not to use STD, a decision by the World Bank to put the onus on mining companies to demonstrate that the practice is safe, and a high-profile set of lawsuits in Indonesia against the world’s largest gold producer.

South House Exchange - Policy Impact Evaluation

Ancestral Domains Claim on the land. Moreover, farmers and fishers downstream from the mine have begun to see the environmental effects of cyanide run-off from processing operations, a threat to their livelihoods.

MiningWatch Canada worked with coalitions and conscientious parliamentarians to bring the TVI issue before the House of Commons *Standing Committee on Foreign Affairs and International Trade*. It was agreed that the case

would be investigated by the Standing Committee's *Subcommittee on Human Rights*, and that it would invite representatives of the Subanon and the Town of Siocon to appear before MPs on March 23rd. We made the necessary arrangements, testified before the Subcommittee and followed up on its response. When the Subcommittee then ordered TVI to appear on May 18th, we ensured that MPs were properly briefed.

In June 2005, after hearing the case of TVI in the Philippines, the Standing Committee passed a resolution asking the government to support the regulation of Canadian mining companies operating internationally. The parliamentary report called on the government to: (a) stop using taxpayer money to support destructive mining projects abroad; (b) hold Canadian mining companies legally accountable for environmental and human rights violations in other countries, and (c) force the World Bank to respect international human rights standards.

Despite effective coalition work to bring public and media attention to the report, the Government of Canada decided not to accept the Standing Committee report and instead fell back on corporate self-regulation. However, it did agree to hold roundtables in 2006 on the issues raised. This initiative has forced the industry to toughen its "corporate social responsibility" work, including the Mining Association of Canada's *Towards Sustainable Mining* program, which is now looking at benchmarks and third party verification as well as international application.

We would like to thank all those organisations and individuals who have helped us in the past year, as well as all the individuals whose donations help make our work possible:

Brainerd Foundation
Canadian Environmental Network
Canary Research Institute for Mining, Environment and Health
CAW Social Justice Fund
Driftwood Foundation
Holly Hill Charitable Trust
Human Resources and Social Development Canada
International Development Research Institute
Inter Pares
Ken and Debbie Rubin Fund
Primates World Relief and Development Fund
Steelworkers Humanity Fund
Tula Foundation

Staff Changes:

Susan Murdock has taken up the new position of Resource Development and Administrative Coordinator. She takes over from Julea Boswell, whose resignation brought us the good fortune of having Liz Kim help out on an interim basis until a new hiring process brought Susan on board. Liz's good nature and commitment made her a pleasure to work with. Julea had been hired to replace

Susan Isaac, who left MiningWatch Canada at the end of August, having completed her contract as a maternity leave replacement for Mel Quevillon. Susan was a wonderful asset to the organization, helping to develop and streamline administrative systems and develop resources, as well as researching and writing the paper ***Protecting Fish/Protecting Mines: What is the Real Job of the Department of Fisheries and Oceans?***

We had two summer students this year: Kelly Fritsch, a Masters student at Carleton, worked on the web site redesign and background research; Jamison Young, a law student at the University of Ottawa, helped prepare the ***Policy Framework for Regulating Canadian Mining Companies Operating Internationally.***

Board of Directors

MiningWatch Canada is a federally registered non-profit society. The Directors have expertise and experience in geoscience, human health sciences, resource law, campaigning, organisational management and fund-raising, international development, and aboriginal issues. Individual board members are responsible to the member organisations of MiningWatch as a whole and do not, in their governance capacity, represent specific organisational interests.

Co-Chairs

William David, Ottawa, Ontario - Environmental Scientist
Laura Calmwind, Kenora, Ontario - Anishinaabeg of Kabapikotawangag Resources Council

Treasurer

Jean Symes, Ottawa, Ontario - Program Officer, Inter Pares

Secretary

Marilyn Crawford, Godfrey, Ontario - Education Consultant

Directors

Florence Catholique, Lutsel K'e, Northwest Territories - Consultant

Sarah Johnnie, Ross River, Yukon - Consultant

Ken Luckhardt, Toronto, Ontario - Canadian Auto Workers International Department

David MacKinnon, Whitehorse, Yukon - Executive Director, Transboundary Watershed Alliance

François Meloche, Montréal, Québec - Researcher, Groupe Investissement Responsable

Richard Nuna, Sheshatshiu, Labrador - Environmental Officer, Innu Nation

Kevin O'Reilly, Yellowknife, Northwest Territories - City Councillor

Peter Usher, Clayton, Ontario - Consultant



AUDITORS' REPORT

To the Members,
MiningWatch Canada / Mines Alertes Canada:

We have audited the statement of financial position of MiningWatch Canada / Mines Alertes Canada as at December 31, 2005 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Ontario
February 1, 2006

OHCD LLP

OUSELEY HANVEY CLIPSHAM DEEP LLP
Chartered Accountants

MININGWATCH CANADA / MINES ALERTE CANADA

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2005

	2005		2004	
CURRENT ASSETS				
Cash	\$	72,721	\$	26,491
Accounts receivable		2,553		33,489
Due from Canary Research Institute (note 3)		43,342		1,609
Prepaid expenses		3,014		1,385
	\$	121,630	\$	62,974
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$	29,159	\$	15,395
Due to Mining Watch US (note 3)		3,636		-
Deferred revenue (note 2)		5,000		-
		37,795		15,395
NET ASSETS				
Balance - beginning of year		47,579		3,436
Excess of revenue over expenditure for the year		36,256		44,143
Balance - end of year		83,835		47,579
	\$	121,630	\$	62,974

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDING DECEMBER 31, 2005

	2005		2004	
REVENUE				
Grants	\$	126,924	\$	69,400
Program generated (note 3)		298,224		318,321
Foundation grants		64,856		85,902
Memberships, interest and other		11,315		10,631
		501,319		484,254
EXPENDITURE				
Council meeting coordination		21,088		37,681
Conferences and meetings		20,214		23,363
Technical support		39,992		57,687
Publicity and publications		13,107		21,987
International program		114,042		60,906
Domestic program		172,380		150,818
Operating		20,450		17,516
Office and administration		63,790		70,153
		465,063		440,111
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	\$	36,256	\$	44,143

MININGWATCH CANADA / MINES ALERTE CANADA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Mining Watch Canada / Mines Alerte Canada was incorporated on June 11, 1999 without share capital, under the laws of Canada. MiningWatch Canada / Mines Alert Canada is a non government organization dedicated to the promotion of responsible mining and minerals development. Working nationally and globally, in support of local organizations, MiningWatch Canada / Mines Alert Canada emphasizes economic, social, ecological and cultural integrity. The organization operates on a not forprofit basis and is not subject to Federal or Provincial income tax.

(b) Capital assets

The Organization follows the accounting policy of recording as expenditure, the cost of capital assets acquired during the year. The expenditure for the year related to the acquisition of computer equipment and furniture totalled \$nil (2004 - \$nil).

(c) Revenue recognition

The organization follows the deferral method of accounting for contributions.

(d) Use of Estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEFERRED REVENUE

Deferred revenue consists of funding received prior to the year end that relates to the next fiscal year.

3. RELATED ENTITIES AND TRANSACTIONS

On November 3, 2003 Canary Research Institute for Mining, Environment and Health (Canary) was incorporated without share capital, under the laws of Canada. Canary is a Registered Charity and is not subject to income tax. The Board of Directors of Canary is currently comprised of three directors of MiningWatch Canada plus two other directors. During 2005 \$233,912 (2004 \$280,229) of MiningWatch Canada's program generated revenue was from Canary. As at December 31, 2005 there is an amount due from Canary of \$43,342 (2004, due from Canary \$1,609).

Canary has not been consolidated in these financial statements. The following is a summary of the financial position of Canary as at December 31, 2005 and the results of operations for the period then ended.

	2005	2004
Canary		
Total assets	\$ 38,223	\$ 30,865
Total liabilities	44,242	37,497
Deficit	\$ (6,019)	\$ (6,632)
Total revenue	\$ 263,833	\$ 289,188
Total expense	263,220	298,282
Excess (deficiency) of revenue over expense for the year	\$ 613	\$ (9,094)

On March 24, 2003 MiningWatch (MiningWatch US) was incorporated under the Oregon Non-profit Corporations Act. The Board of Directors of Miningwatch US is comprised of three directors of MiningWatch Canada plus two other directors. During 2005 \$38,780 (2004 \$10,382) of Mining Watch Canada's program generated revenue was from MiningWatch US. As at December 31, 2005, there is an amount due to Mining Watch US of \$3,636 (2004 \$nil)

MiningWatch US has not been consolidated in these financial statements. The following is a summary of the financial position of MiningWatch US as at December 31, 2005 and the results of operations for the year then ended.

	2005	2004
MiningWatch US		
Total assets	\$ 10,737	\$ 18,925
Total liabilities	10,871	18,925
Deficit	\$ (134)	\$ -
Total revenue	\$ 43,651	\$ 15,299
Total expense	43,785	15,299
Excess of revenue over expense for the year	\$ (134)	\$ -

4. COMMITMENTS

The organization has a lease commitment for office space which expires April 30, 2009. Annual lease payments including operating costs are approximately \$10,000. The organization also has a lease commitment for the telephone system which expires in 2006. Annual lease payments are approximately \$800.