



MiningWatch Canada



ANNUAL REPORT 2008

MiningWatch Canada Advisors

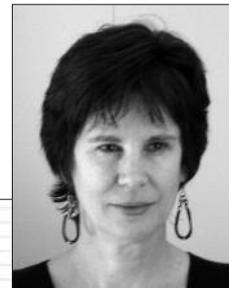
Stephen Hazell
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Ovide Mercredi
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Members in 2008

Bathurst Sustainable Development
Bedford Mining Alert
Canadian Auto Workers (CAW) Social Justice Fund
Canadian Parks and Wilderness Society (CPAWS)
Citizens' Mining Council of Newfoundland
Development and Peace
Friends of the Earth
Friends of the Stikine Society
Innu Nation
Inter Pares
Kairos - Canadian Ecumenical Justice Initiatives
Nature Canada
Northwatch
Public Service Alliance of Canada
Rivers Without Borders
Sierra Club of Canada
Steelworkers Humanity Fund
Yukon Conservation Society (YCS)



MiningWatch Canada staff, from left to right: National Coordinator Joan Kuyek (now retired), Communications and Outreach Coordinator Jamie Kneen, Canada Program Coordinator Ramsey Hart, Research Coordinator Catherine Coumans, and Administration and Resource Development Coordinator Susan Murdock.



MiningWatch Canada

Mines Alerte

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Front cover: Teztan Biny (Fish Lake) in Xeni Gwet'in territory, British Columbia, where Taseko Mines plans to dump tailings from its proposed Prosperity mine – over the objections of the Tsilhqot'in people (Tsilhqot'in National Government photo).

What is MiningWatch Canada?

MiningWatch was formed in 1999 by environmental, labour, and aboriginal groups in Canada to institutionalise their work on mining issues; and by Canadian international development, human rights, and social justice groups to support partner organisations and communities in the “Global South” facing environmental, human rights and negative development impacts resulting from the activities of Canadian mining companies.

Based on an understanding that domestic and international problems cannot be addressed in isolation, and rather that their resolution is interdependent, MiningWatch was created to forge and strengthen global linkages to bring about reforms that will promote responsible mining practices and provide redress for existing and past damages.

Ten years on, MiningWatch has become a strong voice in the development of mining policies that would hold companies to account, whether they are operating in Canada or are Canadian entities operating overseas. Our Board and staff have expertise and experience in environmental policy and campaigning, community and labour organising, community economic development, organisational management and fund-raising, international development and international solidarity, and indigenous rights. Three of our ten Board members are aboriginal.

The overall goal of MiningWatch is to build the capacity of partner organisations and communities affected by mining to act in the public interest with regard to the protection of the environment, local culture(s), and the social and economic well-being of the community. To achieve this goal, we seek to: ensure that mineral development practices are consistent with the goals of sustainable communities and ecological health; strengthen technical and strategic skills within communities and organisations faced with impacts of mineral development; impose appropriate terms and conditions on mining, and in some cases, prevent the development of projects that would adversely affect areas of ecological, economic and cultural significance; and advocate policies to improve the efficiency and reduce the risks of mineral development.

What does MiningWatch Canada do?

We provide *research and technical assistance* to the grassroots at home and internationally: communities, NGOs and individuals. Depending on the nature of the request for support, this may take anywhere from a few minutes – to find someone’s contact information – to days or even weeks, for an extensive information search or detailed analysis of an environmental impact statement.

We undertake *advocacy and policy reform* that links project and company-specific campaigns to the promotion of regulatory and legal changes in Canada for the benefit of affected communities and ecosystems in Canada and abroad. Advances in any one jurisdiction help everyone: gains in one region of the world give our partners and us leverage to demand similar standards and policies elsewhere.

Our *communications* work is aimed at informing the broader public and building support for particular campaigns or policy

initiatives. Our research provides credible technical, political and socio-economic materials in accessible language for grassroots organizations. We work to increase awareness of the central problems related to non-renewable resource extraction, recycling, climate change, ecological liabilities, environmental justice, and economic, social, and cultural rights.

Work in coalitions

At the *Canadian Environmental Network (RCEN)*, MiningWatch acts as co-chair of the Mining Caucus, sits on the Steering Committee of the Environmental Assessment and Planning Caucus, and represents the network on 5 working groups: the Mine Environment Neutral Drainage (MEND) program, the National Orphaned and Abandoned Mines Initiative (NOAMI), the Metal Mining Effluent Advisory Group (MMER-MAG), the Mining Sub-Committee of the National Pollutant Release Inventory (NPRI) Working Group, and the Mining Sector Sustainability Table.

The *Ontario Mining Action Network (OMAN)* builds capacity for people to work together and to deal effectively with the impacts of mining; and “promotes responsible mining practices through mutual support founded on common interests, taking into account the social, economic, cultural and environmental impacts of mining in Ontario.” MiningWatch is a founding member, manages the OMAN listserv and organizes and coordinates the annual meeting.

The *Canadian Network on Corporate Accountability (CNCA)* is a coalition of non-governmental organizations, churches, trade unions and other civil society organizations that addresses the issue of “effective impunity” of Canadian extractive companies operating in developing countries, calling on the Canadian government to move beyond encouraging voluntary corporate social responsibility to implementing measures that will assure corporate accountability on human rights and environmental standards. MiningWatch is a founder and sits on the steering committee.

The *Canadian Council for International Cooperation (CCIC)* is a coalition of Canadian voluntary sector organizations working globally to achieve sustainable human development. MiningWatch takes part in its working groups: the Africa Canada Forum, the Americas Policy Group, and the Asia-Pacific Working Group.

The *International Women in Mining Network (RIMM)*, from the Spanish initials) brings together women from mining affected communities and women mine workers from different continents to work on mining and gender justice issues. MiningWatch is on a committee to organize the next international meeting of RIMM.

The *African Initiative on Mining, Environment, and Society (AIMES)* is coordinated by Third World Network Africa Secretariat and brings together affected communities, researchers, and NGOs from across the continent. MiningWatch is one of the few non-African participants.

The *Latin American Mining Conflicts Observatory* (OCMAL, from its Spanish initials) is another network that brings together affected communities, researchers, and NGOs from across the continent. MiningWatch is one of the few North American participants.

The mission of the *Halifax Initiative (HI)* is to fundamentally transform the international financial system and its institutions to achieve poverty eradication, environmental sustainability and the full realization of human rights. MiningWatch is currently Chair.

The *Initiative for Responsible Mining Assurance (IRMA)* is an international multi-stakeholder (industry and civil society) initiative supported by downstream consumers (jewellers etc.) that aims to set social and environmental standards for mining projects. It is working on a monitoring and verification system that may eventually lead to certification of individual mine projects. MiningWatch is participating with international NGOs and community participants to develop standards separate from industry.

The *Western Mining Action Network (WMAN)* is a grassroots initiative for information-sharing and capacity-building for mining activists in Canada and the U.S.; MiningWatch sits on the steering committee.

The *Mines and Communities* web site editorial board brings together community, indigenous and solidarity NGOs from developed and developing countries around the globe. MiningWatch is a founding member.

Mined Your Own Waste is a newly formed international coalition that focuses on protecting natural water bodies from being used as mine waste disposal sites. MiningWatch is a founding member and sits on the steering committee.

The *Green Budget Coalition (GBC)* brings together the collective knowledge of 20 of Canada's leading environmental and conservation groups to submit priority recommendations for each annual federal budget and to advance the understanding and use of ecological fiscal reform. Coalition members believe that Canada's future prosperity depends on the effective integration of environmental, economic, and human health objectives.

Major areas of work in 2008

Interpretation of the Canadian Environmental Assessment Act (CEAA)

It is our position that the federal government violated the CEAA in 2006 when it split the Red Chris mining project in BC into multiple pieces and downgraded its environmental assessment from a "comprehensive study" to a "screening". This decision meant that public participation in the assessment was no longer mandatory, and indeed none was provided.

Represented by Ecojustice, we were successful at the Federal Court in showing that the federal government unlawfully evaded a comprehensive environmental assessment, but this was overturned on appeal. In mid-December 2008, the Supreme Court of Canada agreed to hear our appeal of that ruling, and the case is scheduled to be heard in October 2009. We are currently developing a legal defence fund for this and other similar actions.

Protection of water

Through a regulatory amendment introduced in 2002, i.e., Schedule 2 of the Metal Mining Effluent Regulations, the federal government gives mining companies the right to use fish-bearing lakes and streams as mine waste dumps, destroying these valued aquatic ecosystems forever.

We have called for an end to this practice through multi-stakeholder processes, communications with MPs of all parties, in coalition work, and in interviews with the media. We were at the forefront in providing information that led to a report in the late spring of 2008 by CBC-TV (also a Youtube hit); and subsequently took the lead in the formation of a coalition on this issue. Going forward, we will build on public and media interest on this topic to bring enough pressure to bear so that the Federal government removes this "easy out" for the mining sector's waste disposal operations.

Barrick Gold, Canada's largest company and the world's largest gold mining company

Barrick Gold's projects are among the most contentious in the world. It is mining Mount Tenabo, which holds spiritual and culture value for the Western Shoshone; it has done permanent damage to glaciers along the Chilean/Argentinean border; and it is endangering entire watersheds, homes and livelihoods in Papua New Guinea without compensating those affected - to name but a few examples.

In 2008, we worked with our partners to bring indigenous representatives of Barrick-affected communities in Australia, Papua New Guinea, and Chile to speak at the United Nations, and to Canada. They met with Canadian MPs from all political parties and with civil servants, presented their perspectives to socially responsible investment fund managers, and shared their stories with the public in Toronto, Ottawa and Montreal. Proxies were secured so that they could address shareholders at the company's annual meeting in Toronto. We will co-host a similar tour in 2009 to keep the pressure on the company to right the wrongs, and on the Canadian government to step up its regulation of Canadian companies operating abroad.

Panama and the Petaquilla mining project

A remote area of Panama's rainforest is threatened by open-pit copper and gold mining by Canadian companies. The 13,600 hectare mining concession is in the heart of the Mesoamerican Biological Corridor, an area of massive biodiversity and stunning beauty that stretches from Mexico to the Darién - a twenty-million-hectare chain of rain and cloud forests, coastal mangroves, and mountain ranges.

Throughout 2008, we worked with Panamanian NGOs and community organizations to bring attention to the extensive environmental degradation caused by the preparatory work carried out by the company. We have flagged environmental and community concerns to the Canadian embassy in Panama and at Petaquilla Minerals' AGM in Vancouver; highlighted the same issues to Inmet and Teck-Cominco representatives at a multi-

stakeholder workshop; prepared a corporate analysis of Teck-Cominco; and published an investor alert and background package (including additional media and corporate research, and translations of source material from Spanish) for distribution via the internet and newswire service. Near the end of 2008, the Judicial Circuit of Colón in Panama opened proceedings against one of the companies, Petaquilla Minerals, for crimes against the environment. Going forward, we will continue to work in collaboration with our Panamanian partners to build public pressure and call on the government and courts in Panama to act in a transparent manner and in accordance with established regulations.

Reforming the Ontario Mining Act

Ontario is Canada's leading mining jurisdiction and the source of 30% of the total value of Canada's metal production. The province also has a longer and more continuous history of mining, and one of the more developed mining-focused bureaucracies, compared with other parts of the country. With Canada's international stature as a giant in the mining world, what happens with mining in Ontario is important, not just provincially but also nationally and internationally. The Ontario Government's announcement that it intends to overhaul the legislation that governs the early and often most controversial phases of mining means the eyes of the world are now on Ontario.

We are fully engaged in the reform process, collaborating with other organizations to provide concrete alternatives for new legislation. We have been able to "hit the ground running" because of our past research and analysis of issues important to mining-affected communities - particularly aboriginal communities - and our lead role in the Ontario Mining Action Network which brings together aboriginal, environmental and social justice groups across the province. This past fall, we made our own submission to the Ontario government and provided input to on those prepared by various allies. We will continue to provide updates on the reform process as it evolves in 2009 and, along with other network members, work to critique, and generate media and public interest on what the government proposes.

Protecting the Boreal Forest

A joint Northwatch/MiningWatch press release in May of this year spelled out the problem:

"A storm of mining activity is threatening to wipe out our mineral reserves, damage fragile eco-systems, and infringe Aboriginal rights. The storm will leave millions of tonnes of toxic waste, polluted waters, and bankrupt mining towns in its wake. The impacts of this storm will be serious and long-lasting and will be borne - first and foremost - by the people living in the Boreal forest. In the long run, the taxpayers will have to pick up the tab for environmental and economic reclamation."

We collaborated with Northwatch to produce *The Boreal Below: Mining Issues and Activities in Canada's Boreal Forest* in response to the growing demand from communities across Canada for information and analysis to understand the impacts of

mining on their lives and livelihoods. It provides a carefully documented analysis of the social, environmental, and cultural impacts of mining, from prospecting to mine closure, as well as an overview of the current situation by province and territory. Chapter Two, "The Mining Sequence", is one of the best primers on mining available.

Canadians seek a voice on mining development

The boom in mining in recent years only began to abate in the second half of this year when a global downturn in the economy began to take its toll around the world. Mining projects had begun to pop up near communities that had not seen this kind of activity in years, or had never seen it before. Uranium mining proposals have caused particular concern in many parts of the country.

We have had the opportunity to support two new civil society networks - in Québec and in the Maritimes - by providing background information and technical assistance, and participating in strategic planning discussions. We look forward to continued collaboration in 2009.

Mining projects in conflict zones

Over the past 20 years, the conflict in Colombia has inflicted horrific violence on trade unionists, peasant farmers, and indigenous peoples, and forcibly displaced untold thousands. Areas where resource mega-projects are being developed or considered are precisely where the worst of the violence has occurred, and from where the greatest proportion of the population has been forced to flee for their lives.

We are taking part in a research initiative led by Inter Pares, with the participation of CENSAT (Friends of the Earth Colombia), to compile detailed information about human rights and environmental impacts of Canadian mining interests in Colombia. This work, to be published in 2009, will be used to pressure the Canadian government to bring in appropriate regulatory measures for Canadian companies operating in Colombia and in similar contexts around the world and to contribute to similar campaigns in Colombia to will call for improved public policies.

Staff Changes

We would like to express our deepest gratitude to Joan Kuyek, who retired this year to spend more time on other projects. Joan was critical to getting MiningWatch established and building our presence, our organizational capacity, and our reputation for unflinching analysis and dedication to the people and communities affected by mining. Ramsey Hart has ably taken on the role of Canadian Program Coordinator, while other aspects of Joan's inspirational work (and astonishing workload) have been shared by all staff.

Thanks to...

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



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, 2008 and the statement of changes in net assets and 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

OHCD LLP.

Ottawa, Ontario
January 29, 2009

OUSELEY HANVEY CLIPSHAM DEEP LLP
Licensed Public Accountants

MININGWATCH CANADA / MINES ALERTE CANADA

 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2008

| | 2008 | 2007 |
|---|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 132,209 | \$ 93,382 |
| Short-term investment (note 2) | 50,202 | 50,000 |
| Accounts receivable | 8,115 | 3,472 |
| Due from Canary Research Institute (note 4) | 24,408 | 57,430 |
| Prepaid expenses | 2,579 | 2,669 |
| | <u>\$ 217,513</u> | <u>\$ 206,953</u> |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 18,795 | \$ 22,951 |
| Deferred revenue (note 3) | 62,136 | 56,234 |
| | <u>80,931</u> | <u>79,185</u> |
| NET ASSETS | | |
| Contingency fund - internally restricted (note 5) | 55,000 | 50,000 |
| Unrestricted net assets | 81,582 | 77,768 |
| | <u>136,582</u> | <u>127,768</u> |
| | <u>\$ 217,513</u> | <u>\$ 206,953</u> |

 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|--|------------------|------------------|
| CONTINGENCY FUND | | |
| Balance - beginning of year | \$ 50,000 | \$ 50,000 |
| Transfer from unrestricted net assets (note 5) | 5,000 | - |
| Balance - end of year | <u>\$ 55,000</u> | <u>\$ 50,000</u> |
| UNRESTRICTED NET ASSETS | | |
| Balance - beginning of year | \$ 77,768 | \$ 65,246 |
| Excess of revenue over expense for the year | 8,814 | 12,522 |
| Transfer to contingency fund (note 5) | (5,000) | - |
| Balance - end of year | <u>\$ 81,582</u> | <u>\$ 77,768</u> |

 STATEMENT OF REVENUE AND EXPENDITURE
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | 2008 | 2007 |
|--|-----------------|------------------|
| REVENUE | | |
| Grants | \$ 191,856 | \$ 171,795 |
| Program generated (note 4) | 279,251 | 284,929 |
| Memberships, interest and other | 15,010 | 12,611 |
| | <u>486,117</u> | <u>469,335</u> |
| EXPENDITURE | | |
| Council meeting coordination | 23,106 | 35,028 |
| International program | 116,788 | 100,065 |
| Domestic program | 112,248 | 116,678 |
| Effecting regulatory systems program | 48,313 | 103,923 |
| Communications program | 41,672 | 28,086 |
| Litigation | 10,136 | - |
| Transition consulting | 18,442 | - |
| Office and administration | 106,598 | 73,033 |
| | <u>477,303</u> | <u>456,813</u> |
| EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR | <u>\$ 8,814</u> | <u>\$ 12,522</u> |

MININGWATCH CANADA / MINES ALERTE CANADA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

MiningWatch Canada / Mines Alerte Canada was incorporated on June 11, 1999 without share capital, under the laws of Canada. MiningWatch Canada / Mines Alerte 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 Alerte Canada emphasizes economic, social, ecological and cultural integrity. The organization operates on a not-for-profit 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 (2007 - \$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.

(e) Financial Instruments

Financial instruments consist of cash, short-term investments, accounts receivable, due from Canary Research Institute, and accounts payable and accrued liabilities. Unless otherwise noted, it is the board's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments and that the carrying amounts approximate fair value.

2. SHORT-TERM INVESTMENT

Short-term investment consists of a cashable GIC that matures October 12, 2009 and earns interest at a variable interest rate. The interest rate at the year end was 1.8%.

3. DEFERRED REVENUE

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

4. 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 two directors of MiningWatch Canada plus three other directors. During the year \$141,602 (2007 - \$205,605) of MiningWatch Canada's program generated revenue was from Canary. As at December 31, 2008 there is an amount due from Canary of \$24,408 (2007 - \$57,430).

Canary has not been consolidated in these financial statements. The following is a summary of the financial position of Canary as at December 31, 2008 and the results of operations for the period then ended.

| | 2008 | 2007 |
|---|------------|------------|
| Canary | | |
| Total assets | \$ 83,230 | \$ 72,411 |
| Total liabilities | 62,543 | 68,430 |
| Net assets | \$ 20,687 | \$ 3,981 |
| Total revenue | \$ 208,516 | \$ 252,379 |
| Total expense | 191,810 | 249,511 |
| Excess of revenue over expense for the year | \$ 16,706 | \$ 2,868 |

5. CONTINGENCY FUND

During the 2006 fiscal year the organization decided to set up an internally restricted contingency fund. The purpose of the fund is to address unforeseen changes in the organization's finances and to invest in projects for which ongoing funding is not available. During the year the organization transferred \$5,000 (2007 - \$nil) to this fund.

6. 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.

7. INSTITUTIONAL DONORS

The organization is thankful for support from the following organizations:

- Boreal Songbird Initiative
- Canadian Auto Workers Social Justice Fund
- Canadian Boreal Initiative/Ducks Unlimited
- International Development Research Centre
- Inter Pares
- MSST Foundation
- Primate's World Relief and Development Fund
- Sigrid Rausing Trust
- Tula Foundation
- Global Greengrants Fund
- International Community Foundation
- Steelworkers Humanity Fund