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*MiningWatch Canada*  
**ANNUAL REPORT 2012**

## **MiningWatch Canada Advisors**

Stephen Hazell  
Dr. Isobel W. Heathcote  
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Dr. Donna Mergler  
The Very Rev. The Hon. Lois M. Wilson  
Peter J. Usher  
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## **Members in 2012**

Bathurst Sustainable Development  
Bedford Mining Alert  
Canadian Auto Workers (CAW) Social Justice Fund  
Canadian Environmental Law Association (CELA)  
Canadian Parks and Wilderness Society (CPAWS)  
Centre for Longterm Environmental Action  
Newfoundland/Labrador (CLEANf/Ld)  
Canadian Union of Public Employees (CUPE)  
Development and Peace  
Friends of the Earth  
Friends of the Stikine Society  
Innu Nation  
Inter Pares  
International Institute of Concern for Public Health (IICPH)  
Kairos - Canadian Ecumenical Justice Initiatives  
Mixedwood Forest Society  
Nature Canada  
Northwatch  
Polaris Institute  
Primate's World Relief and Development Fund  
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: Latin America Program Coordinator Jen Moore, 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**

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### **Mines Alerte**

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## ***What is MiningWatch Canada?***

MiningWatch Canada was formed in 1999 by environmental, labour, social justice, 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 incursions and abuses resulting from the activities of Canadian mining companies.

Based on an understanding that domestic and international problems cannot be addressed in isolation, but that their resolution is interdependent, MiningWatch was created to forge and strengthen global linkages to support communities affected by mining and to bring about reforms that will prevent and punish irresponsible mining practices and address existing and past abuses.

MiningWatch Canada has become a strong voice in the development of policies to hold mining companies to account, whether they are operating in Canada or are Canadian corporations committing abuses overseas. Our Board and staff have expertise and experience in environmental policy and campaigning, community and labour organising, community economic development, organisational management and fundraising, international development and international solidarity, and indigenous rights.

### ***What Guides Our Work***

**We believe** in free, prior, informed consent of aboriginal communities for mineral development on their traditional lands, and in ensuring the protection of natural capital and ecological health for future generations.

**We provide** advice to communities dealing with the effects of mining, and help them get the technical assistance and voice they need to defend their interests. We regularly respond to requests for information from other organizations, communities, First Nations, the media, filmmakers, investors, and students.

**We facilitate linkages** and exchanges between communities affected by mining and the organisations that represent and work with them so that they can share experiences and learn directly from each other – their, ideas, successes, and challenges. This way they do not have to face their struggles in isolation.

**We collaborate** with other organisations in coalitions and working groups around shared objectives, building networks to share information and ideas, and building working relationships between organisations.

**We undertake** credible research in response to requests from communities and interested organizations.

**We advocate** for regulatory change -- including regulating Canadian mining companies operating interna-

tionally. We have come to know that the environment will not be protected without strong regulation and well-staffed enforcement. There are occasions when this concern with public policy requires us to engage in the courts, in environmental assessments, and in other administrative processes.

**We participate** with industry and government representatives in many “multi-sectoral” initiatives. We are a founding member of the National Orphaned and Abandoned Mines Initiative and of the Canadian Network on Corporate Accountability. We are a member of the Canadian Council for International Cooperation, and as such abide by its Code of Ethics.

**We understand** mining to be essentially a waste management industry with short-term benefits and long-term consequences. Until we run out of metals or until our recycling and materials efficiency catch up with our consumption, mining will continue. But it needs to answer to much tougher standards, and it cannot be allowed to continue foisting its greatest costs and liabilities onto the public – and future generations.

**Raising questions** about the effects of mining and the ability of governments to monitor and control them is an important public service we are proud to provide.

### ***Highlights of 2012***

#### ***Using ‘the System’ to Seek Justice and Sustainable Development***

##### ***Seeking a modicum of justice for Papua New Guinean Highlanders***

Faced with a comprehensive complaint about the problematic history of Barrick Gold’s Porgera mine in Papua New Guinea, the Canadian National Contact Point for the OECD Guidelines for Multinational Enterprises agreed – in a rare step – to take the case to mediation. The moderately successful outcome of the first session has led us to be cautiously optimistic that further face-to-face meetings in 2013 will bring concrete benefits to the affected communities.

The complaint compiles evidence of widespread and horrific abuses committed by mine security personnel over the last two decades: alleged killings and beatings of local indigenous men, and beatings and rapes, including brutal gang rape, of indigenous women. In 2009, police mobile units forcefully evicted local landowners near the mine, burning down their houses. Police mobile units remain housed at the mine site, partially paid and supplied with food and fuel by the company. Every year, the mine releases approximately 6 million tons of tailings and 12.5 million tons of suspended sediment from waste dumps into downstream river systems.

### ***Colombia: Angostura mining project proposed for sensitive wetland***

Canadian company Eco Oro Minerals (formerly Greystar Resources) proposes to develop a large-scale gold mine in a fragile, high-altitude wetland called the Santurbán páramo, which provides water to over 2.2 million Colombians. In 2012, MiningWatch joined with the Center for International Environmental Law (CIEL) and the Interamerican Association for Environmental Defense (AIDA) to help the Committee for the Defense of Water and the Santurbán Páramo bring a formal complaint to the World Bank, whose private-sector lending arm, the International Finance Corporation (IFC), has invested approximately US\$12 million.

The complaint accuses the IFC of having glossed over the potential risks to water supplies and biodiversity from this project and a potential mining district in the area. Related security issues were also flagged, using evidence of violence associated with guerrilla and paramilitary activity following a major military operation and the establishment of military installations in the area around 2003. The Committee is asking the IFC to sell its equity holding in the project. The Compliance Advisor Ombudsman (CAO), the independent grievance mechanism of the IFC, is examining the allegations, a first step to a full audit to determine if environmental and social policies have been violated.

### ***Mine-by-mine Struggles in Canada: Taking Part in Environmental Assessment Processes***

Environmental Impact Statements (EISs) prepared by companies to fulfil requirements under environmental assessment legislation are all too often rife with overly optimistic conclusions based on imprecise and/or insufficient data. We participate in formal EIS reviews – often in response to requests from affected aboriginal and non-aboriginal communities – and contribute criticism and recommendations.

### ***Protection of one of BC's largest sockeye salmon runs***

The Thompson River watershed is known for its important spawning grounds and migratory routes for a number of salmon stocks – and for being host to: Teck's open pit Highland Valley mine, the largest copper mine in Canada; the New Afton mine, under construction; the Harper Creek and Ajax mine projects, moving through the environmental assessment process; and the Ruddock Creek Project, in advanced exploration. MiningWatch is collaborating with Sierra Club of BC and Ecovision to evaluate potential cumulative effects of these projects and the threat of “worst case scenarios” as part of our input into the individual environmental assessments for the Harper Creek and Ajax mines.

The Ruddock Creek project is in the headwaters of the Adams River surrounded by sensitive protected areas, and is important to the Secwepemc indigenous economy. In 2012, our analysis of Imperial Metals' request for a discharge permit for its Ruddock Creek exploration project was subsequently incorporated into local citizens' comments to the BC Ministry of the Environment to indicate concerns about the proposed treatment method, lack of adequate study, and potential contamination of downstream water bodies.

### ***The Marathon Gold-Copper Project in Ontario***

The Marathon Gold-Copper Project is the first project in Ontario to be subject to an environmental assessment by a joint federal-provincial review panel. We reviewed the proponent's EIS with technical help from fisheries biologist George Morgan. Our submission had an impact: fourteen citations from our submission were included in the panel's response to the proponent. Our next step will be to prepare comments for the hearings in the year ahead.

### ***The Proposed Prosperity Mine in BC: prosperity for whom?***

The “New Prosperity” mine proposal replaces a previous plan that was found to have “significant environmental effects” and was turned down by the federal cabinet in November 2010. “New” has not proven to be environmentally “better,” and in fact according to the company's own statements from the earlier review process, may be worse. The rushed effort to resubmit the project has raised further concerns about the lack of adequate information for the new proposal, and a federal review panel found 50 substantial deficiencies in the company's Environmental Impact Statement.

### ***Speaking Truth to Government and Industry***

#### ***Federal “omnibudget” Bills C-38 and C-45: Canadian government wages war on nature; civil society responds with protests and counterproposals***

Together with other members of the Canadian Environment Network's Environmental Planning and Assessment Caucus, we developed “Ten Principles of Environmental Assessment (EA)” – signed on to by fifty small and large groups across the country – to create a framework for EA legislation to measure the new federal legislation against, and to propose an EA regime that would actually work.

We helped coordinate a massive effort to build public awareness and send strong messages to the government and individual MPs. Environmental and conservation groups launched the “Black Out-Speak Out”

campaign to draw public attention to the issues and pressure the government. This had astonishing pick-up from NGOs and media in Canada and was even covered in the US and Britain. In the end the government did not allow any amendments to either omnibus bill, but was pushed into a very defensive public position.

The government has expressed no interest in undertaking meaningful consultations towards a constructive reform of the Canadian Environmental Assessment Act and related legislation like the Fisheries Act, the Navigable Waters Protection Act (now just the Navigable Waters Act), and the Species at Risk Act. Indigenous and non-Indigenous communities alike are concerned that their interests will not be protected under the new legislation, even to the limited extent that they were before. We will have a lot of work to do to prevent badly planned megaprojects from destroying many more watersheds, communities, and livelihoods.

### ***Mining: Engine for Development or Driver of the “Resource Curse”?***

In a Parliamentary brief entitled *CIDA’s Partnership with Mining Companies Fails to Acknowledge and Address the Role of Mining in the Creation of Development Deficits*, Catherine Coumans summarized the issue thus: “There is reason to believe that CIDA’s funding of Corporate Social Responsibility projects at mine sites is a poorly articulated attempt by the Government of Canada to help mining companies appear to offset the development deficits they are creating at local and national levels.”

### ***Working in Common Cause: Movement Building in Canada & Abroad***

#### ***Work with Indigenous Communities in Canada***

***Mistissini Cree:*** Ramsey attended Canadian Nuclear Safety Commission (CNSC) hearings in Mistissini, Quebec, part of the CNSC’s decision-making process for the licensing of the Matoush Project, an advanced uranium exploration project (i.e. test mine) being developed by Strateco Resources. In his presentation, Ramsey stressed the importance of social acceptability and pointed out flaws in the proponent’s environmental assessment. Mistissini Cree are strongly rejecting the project and Chief and Council, the Youth Chief, and local residents extended appreciation for our ongoing engagement.

***Wolf Lake and Eagle Village Algonquin Nations:*** Using strategic media releases, MiningWatch helped these two First Nations to push junior company Matamec to the table to negotiate an agreement on its exploration activity and a review of its proposed rare

earth elements project. MiningWatch took part in the subsequent meetings between the communities and company, providing additional information and observations on the company’s proposal. The company has now signed an agreement providing resources to the community to undertake their own review of the project’s environmental and social impacts.

***Eagle Lake Ojibwa First Nation:*** We used funding from the Sustainability Network to provide a workshop on the environmental and social risks and opportunities associated with mining. The community is being rushed to engage in environmental assessments for a proposed gold mine and consultations on a number of exploration projects. Staff and elders appreciated receiving the information presented as well as the ensuing discussion. Since the workshop, MiningWatch has been asked to provide input and comments on the environmental assessment process and the guidelines for the EIS.

#### ***Guatemala: Ramping Up Pressure on Goldcorp***

Together with other members of the Coalition Against Unjust Mining in Guatemala (CAMIGUA), we kept pressure on the company, once again organizing public demonstrations to parallel the May AGM and developing a shareholder resolution calling on the company to post a bond for the full costs of mine closure at its Marlin mine in Guatemala.

Our planning had to be quickly adjusted when the company suddenly announced that rather than meeting in Toronto as anticipated, its venue would be the northern Ontario town of Timmins. Whether this decision was motivated by a desire to avoid unwanted attention, it was obvious that the shareholder resolution had an impact. An online petition sponsored by Amnesty International generated 5,100 symbolic votes for the resolution. As in the past, shareholders, even “ethical” ones, followed management’s recommendation to vote against it. Nonetheless, the company committed to discuss increasing its financial surety for the mine with the Guatemalan government, though it remains to be seen to what extent it will actually follow through.

#### ***Support for Partner Organizations in the Philippines: International Conference of Mining at Ateneo de Davao University, Mindanao, Philippines***

Catherine Coumans assisted the University of Ateneo de Davao with the planning of a high-level conference on mining and gave the keynote address. The timing of the conference was crucial as its expert national and international speakers had an opportunity to provide input to the Philippine government’s imminent executive order on mining. Executive Order No. 79, released in July 2012, included some of the positive

measures called for in the conference, such as increased transparency and the identification of no-go zones.

Nonetheless, local and international activists note that it fell far short of reforming the mining industry and are concerned that it may limit the power of local levels of government to stop mining projects, sacrificing sustainability for short-term economic objectives. MiningWatch continues to support partners in the Philippines in pushing for more substantive reforms.

## **Conferences and Research - A Sampling**

### ***International Conference on Acid Rock Drainage***

Ramsey Hart presented a paper co-authored with our Science Horizons intern Rachele Gendron, further solidifying MiningWatch's reputation as an organization with a strong technical grounding in its work.

### ***International Standards Setting Through the Initiative for Responsible Mining Assurance (IRMA)***

MiningWatch is a member of this multistakeholder body together with mining companies, jewelry retailers, environmental and human rights groups, affected communities, and labour organisations. Thanks to information provided by Catherine, IRMA added an additional five standards to its agenda related to the UN's Guiding Principles on Business and Human Rights. The civil society working group's draft FPIC standard has also been lauded by industry participants.

### ***Mineral Tenure - Peel Watershed, Yukon Territory***

The Yukon Conservation Society (YCS), environmentalists, and aboriginal and non-aboriginal communities welcomed the Peel Planning Commission's "Final Recommended Plan" as it called for permanent protection of 55% and interim protection of 25% of the internationally significant Peel watershed.

The Yukon government indicated reluctance to implement the plan, citing the potential cost of compensating holders of mining claims in the watershed, so YCS commissioned MiningWatch Canada to study the issue. Ramsey Hart's analysis revealed that the future of the Peel did not appear to be a factor in company write-offs, but rather could be attributed to the global financial situation and a downturn in mineral prices.

## **Communications Highlights**

The key components of our communications strategy relate to a constantly updated website, numerous e-mail lists, and an active Facebook page and Twitter account. We receive almost daily requests from mainstream and alternative media for interviews, analysis, fact checking, and background information on mining-

related issues. Below we share some of the highlights from 2012.

### ***A Question of Ethics and Undue Influence***

Goldcorp flew four MPs and a Senator on a company jet to its Marlin mine at the end of August, setting the scene for lobbying both Canadian and Guatemalan legislators. Thanks to a leak of the company's invitation, we were able to break the story to the Guatemalan press before the plane touched down in Guatemala City, resulting in strong national media coverage, and communities and organizations opposed to Goldcorp's operations there were able to raise their concerns.

These focused on the fact that Guatemala's mining code is currently the object of a constitutional challenge brought by indigenous organizations who point to the lack of pre-legislative consultation with indigenous peoples prior to its passage, contravening the International Labour Organization's Convention 169 on the rights of indigenous peoples. The secrecy surrounding meetings with Guatemalan legislators, and the fact that the Ministry of Mines and Energy subsequently granted a Goldcorp subsidiary two new exploration licences, led one Guatemalan national columnist to dub forthcoming reforms 'The Goldcorp Law'.

The junket also became national news in Canada when trip was reported to the federal lobbyist registry.

### ***In-house Videos***

Videos are another tool that we are increasingly experimenting with to draw in an increasingly diverse audience to our website and/or our YouTube channel.

- Presentation by Manuel Pérez Rocha, an Associate Fellow at the Institute for Policy Studies in Washington D.C., Coordinator of Networking for Justice in Global Investment, and member of the Mexican Action Network on Free Trade (RMALC) – on the impacts of free trade agreements on countries' ability to protect their environment with regard to extractive sector projects.
- Interview with Maria Cuc Choc, a Mayan Q'eqchi' community leader from El Estor in eastern Guatemala – on injustices Indigenous communities have experienced related to Canadian mining operations and the three inter-related legal cases that will be heard in Canada through the firm Klippensteins.

### ***Thanks to...***

We would like to thank all those organizations and individuals who have helped us in the past year, as well as all those whose donations help make our work possible. We would like to publicly recognize the institutional donors listed in the auditors' statements that follow.



## INDEPENDENT AUDITORS' REPORT

To the Members,

### **MiningWatch Canada / Mines Alertes Canada:**

We have audited the accompanying financial statements of MiningWatch Canada / Mines Alertes Canada, which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, and the statements of changes in net assets, operations and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of MiningWatch Canada / Mines Alertes Canada as at December 31, 2012 and December 31, 2011, and the results of its operations and its cash flows for the years then in accordance with Canadian accounting standards for not-for-profit organizations.

*OHCD LLP*

**OUSELEY HANVEY CLIPSHAM DEEP LLP**  
Licensed Public Accountants

Ottawa, Ontario  
February 28, 2013

**MININGWATCH CANADA / MINES ALERTE CANADA**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012

	2012	2011
<b>CURRENT ASSETS</b>		
Cash	\$ 157,663	\$ 137,283
Short-term investments (note 2)	72,034	70,375
Accounts receivable	12,679	1,745
Due from Canary Research Institute (note 4)	65,936	92,348
Prepaid expenses	2,569	1,634
	<b>\$ 310,881</b>	<b>\$ 303,385</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 12,301	\$ 15,572
Government remittances payable	5,103	12,747
Deferred revenue (note 3)	94,309	79,809
	<b>111,713</b>	<b>108,128</b>
<b>NET ASSETS</b>		
Contingency fund - internally restricted (note 5)	137,000	132,000
Legal fund - internally restricted (note 5)	25,000	25,000
Unrestricted net assets	37,168	38,257
	<b>199,168</b>	<b>195,257</b>
	<b>\$ 310,881</b>	<b>\$ 303,385</b>

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
<b>CONTINGENCY FUND</b>		
Balance - beginning of year	\$ 132,000	\$ 115,000
Transfer from unrestricted net assets (note 5)	5,000	17,000
Balance - end of year	<b>\$ 137,000</b>	<b>\$ 132,000</b>
<b>LEGAL FUND</b>		
Balance - beginning of year	\$ 25,000	\$ 25,000
Transfer from unrestricted net assets (note 5)	-	-
Balance - end of year	<b>\$ 25,000</b>	<b>\$ 25,000</b>
<b>UNRESTRICTED NET ASSETS</b>		
Balance - beginning of year	\$ 38,257	\$ 51,208
Net revenue for the year	3,911	4,049
Transfer to contingency fund (note 5)	(5,000)	(17,000)
Balance - end of year	<b>\$ 37,168</b>	<b>\$ 38,257</b>

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
<b>REVENUE</b>		
Grants	\$ 294,027	\$ 256,826
Program generated (note 4)	217,000	269,178
Memberships, interest and other	17,586	15,329
	<b>528,623</b>	<b>541,333</b>
<b>EXPENSE</b>		
Council meeting coordination	32,425	30,460
International program	174,940	150,024
Domestic program	57,724	71,273
Effecting regulatory systems program	87,311	94,806
Communications program	92,515	96,494
Office and administration	79,797	94,227
	<b>524,712</b>	<b>537,284</b>
<b>NET REVENUE FOR THE YEAR</b>	<b>\$ 3,911</b>	<b>\$ 4,049</b>

**MININGWATCH CANADA / MINES ALERTE CANADA**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
Net revenue for the year	\$ 3,911	\$ 4,049
Change in non-cash working capital items		
Accounts receivable	(10,934)	17,016
Due from Canary Research Institute	26,412	27,488
Prepaid expenses	(935)	1,146
Accounts payable	(3,271)	14,499
Government remittances payable	(7,644)	-
Deferred revenue	14,500	44,124
	<u>22,039</u>	<u>108,322</u>
<b>INVESTING</b>		
Purchase of short-term investments	(1,859)	(35,079)
	<u>20,380</u>	<u>73,243</u>
<b>CHANGE IN CASH FOR THE YEAR</b>		
Cash beginning of the year	137,283	64,040
	<u>\$ 157,663</u>	<u>\$ 137,283</u>

**MININGWATCH CANADA / MINES ALERTE CANADA****NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2012

**1. SIGNIFICANT ACCOUNTING POLICIES****(a) Organization**

MiningWatch Canada / Mines Alert 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-for-profit basis and is not subject to Federal or Provincial income tax. These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (see note 9) and include the following significant accounting policies:

**(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 totaled \$nil (2011 - \$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 accounting standards for not-for-profit organizations 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. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

**(e) Financial instruments**

Financial instruments are initially recognized at fair value and are subsequently measured at cost, amortized cost or cost less appropriate allowances for impairment.

**(f) Allocation of expenses**

The Organization assigns salary costs directly to programs.

**2. SHORT-TERM INVESTMENTS**

Short-term investments consists of two cashable GIC's that mature April 2, 2013 and April 1, 2013 and earn interest at an annual rate of 1% and 1.4% respectively.

### 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 \$148,261 (2011 - \$207,824) of MiningWatch Canada's program generated revenue was from Canary. As at December 31, 2012 there is an amount due from Canary of \$65,936 (2011 - \$92,348).

Canary has not been consolidated in these financial statements. The following is a summary of the financial position of Canary as at December 31, 2012 and the results of operations for the year then ended.

	2012	2011
<b>Canary</b>		
Total assets	\$ 151,490	\$ 162,416
Total liabilities	145,047	143,482
Net assets	\$ 6,443	\$ 18,934
Total revenue	\$ 211,296	\$ 285,817
Total expense	223,787	281,783
Net revenue (expense) for the year	\$ (12,491)	\$ 4,034

### 5. INTERNALLY RESTRICTED FUNDS

#### 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 (2011 - \$17,000) to this fund.

#### LEGAL FUND:

During the 2009 fiscal year the Board of Directors decided to set up an internally restricted legal defence fund. The purpose of the fund is to provide funds for legal actions related to the objectives of the Institute. During the year the Organization transferred \$nil to this fund (2011 - \$nil).

### 6. FINANCIAL INSTRUMENTS

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

### 7. COMMITMENTS

The Organization has a lease commitment for office space which expires April 30, 2016. Annual lease payments including operating costs are approximately \$20,000.

### 8. INSTITUTIONAL DONORS

The Organization is thankful for support from the following organizations:

- Canadian Auto Workers Social Justice Fund
- Canadian Labour Congress
- Canadian Union of Public Employees
- International Development Research Centre
- Inter Pares
- Ontario Public Service Employees Union
- Primate's World Relief and Development Fund
- Sigrid Rausing Trust
- Steelworkers Humanity Fund
- Sustainability Network
- Wallace Global Fund

### 9. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012 the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNFPO). These are the Organization's first financial statements prepared in accordance with ASNFPO which has been applied retrospectively. The significant accounting policies in note 1 have been applied in preparing these financial statements for the year ended December 31, 2012 and the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of the opening statement of financial position as at January 1, 2011 (the organization's date of transition).

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Accounting V. The adoption of ASNFPO had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position and statements of changes in net assets, operations and cash flows; and the opening statement of financial position has not been presented.