



MiningWatch Canada



ANNUAL REPORT 2006

MiningWatch Canada Members in 2006

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
Public Service Alliance of Canada
Sierra Club of Canada
Steelworkers Humanity Fund
SUCCO: 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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Front cover, clockwise from top: "Don't Sell the Water, Defend It" – sign protesting Barrick Gold's Pascua Lama project in Chile (OLCA photo); soldiers preventing local leaders from investigating Corriente Resources' failure to comply with a presidential stop work order, Tundaine, Ecuador (K. Calle photo); Amazay, a.k.a. Duncan Lake, slated for destruction as the tailings dump for the Kemess North mine in northern British Columbia (Tse Keh Nay photo); Barrick Gold's Porgera mine in Papua New Guinea as seen from a neighbouring village (C. Coumans photo).

What is MiningWatch Canada?

MiningWatch Canada is a coalition of twenty-one environmental, social justice, labour, Aboriginal and development organizations, created 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, reviewing 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 forest;
- 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 eight 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.

Our aims

- To make changes to Canadian law, policy, regulation and practice where they enable irresponsible mining in Canada and by Canadian companies abroad,
- To contribute a holistic, structural analysis to mining issues encompassing environmental concerns, human rights and health, working conditions, and the distribution of wealth and power.

A clearinghouse on mining information

Our experience and research have placed us in the forefront as a source of reliable information and up-to-date analysis on a wide range of domestic and international mining-related topics. We make effective use of our electronic and print resources to enable civil society, government, investors, and the media to have easy access to both historical and current information, and we are active in networks to ensure that we work in concert with others involved in the same struggles to contribute to processes and content.

The MiningWatch Canada web site (www.mining-watch.ca) continues to have high usage. Over the course of the year, the site received 3.75 million pageviews (over 10,000 per day on average), about 2.5 times more than the previous year.

Technical assistance and support to communities and grassroots movements

Each year we provide research and technical assistance to over 60 communities in Canada and over 40 outside the country, to non-governmental organizations (NGOs), and to individuals, tailored to their specific needs. Depending on the nature of the request, this may take anywhere from a five minutes - to find contact information for a specialist - to several days for an extensive information search or detailed analysis of an Environmental Impact Assessment.

Work in Coalitions

In 2006, we were active members of six Canadian advocacy coalitions:

- The Canadian Environmental Network (RCEN) - Mining Caucus and Environmental Assessment and Planning Caucus. We represent RCEN on the Mine Effluent Neutral Drainage (MEND) program, the National Orphaned and Abandoned Mines Initiative (NOAMI), the Fisheries Act Metal Mining Effluent Multistakeholder Advisory Group (MMER-MAG), the Base Metal Smelters Advisory Group (BEMAG), the Mining Sub-Committee of the National Pollutant Release

In 2006, many existing trends and influences grew in importance, and new factors came into play.

- Commodity prices for gold, uranium, zinc and nickel remained high, motivating new and existing companies to explore in previously unattractive sites around the globe.
- Increasing depletion of resources in older mining areas contributed to interest in areas that had not previously been staked or mined, often on indigenous lands.
- Junior mining companies which previously had largely limited their activities to exploration, increasingly moved to get involved in full-fledged exploitation.
- Company mergers and takeovers accelerated dramatically, necessitating constant monitoring of news bulletins to stay on top of the situation and creating a need for research into foreign companies taking over Canadian operations.
- In Canada, Quebec followed British Columbia in making it much easier for prospectors to stake numerous and expansive claims without having to physically visit the areas in question.

Inventory Working Group (NPRI) and the Mining Sector Sustainability Table (MSST);

- The Canadian Council for International Cooperation (CCIC), “a coalition of Canadian voluntary sector organizations working globally to achieve sustainable human development”, and its policy working groups - the Africa Canada Forum, the Americas Policy Group, and the Asia-Pacific Working Group;
- The Ontario Mining Action Network (OMAN), which “promotes responsible mining practices through mutual support founded on common interests taking into account the social, cultural, economic and environmental impacts of mining in Ontario”;
- The Halifax Initiative, whose “mission is to fundamentally transform the international financial system and its institutions, namely the World Bank, the International Monetary Fund, and Export Credit Agencies [to] achieve poverty eradication, environmental sustainability and the full realization of human rights”;
- The Canadian Network on Corporate Accountability (CNCA), a broad coalition of labour, environmental, human rights, and development organizations, as well as organizations that track international financing, socially responsible investing, and legal reform, that calls for the Canadian government to move beyond strictly voluntary “corporate social responsibility” measures.
- The Green Budget Coalition, a twenty-member coalition of Canada’s largest environmental organizations which advocates for Ecological fiscal reform. Ending unjustified mining subsidies is one of its priorities.

Major areas of work in 2006

Challenging free entry by prospectors on Aboriginal territories and private lands

“Free Entry”, which allows prospectors privileged access to land, became a better-known and more aggressively opposed issue this year. The blockade by elders at Iskut, BC, against bcMetals, Fortune, and Firesteel, and the passing by the UN Human Rights Commission of the Declaration on the Rights of Indigenous People (June 29th) represent huge steps forward.

There was also renewed protest in BC, Quebec and Ontario about staking on private lands. We told the world about these challenges, and provided networking assistance, corporate analysis and advice.

In northern Ontario, ten First Nations issued a mining moratorium to stop the exploration activities of Superior Diamonds, Platinex and other mining companies on their traditional territories. They say the companies are infringing their rights and damaging their land.

The northern Ontario Kitchenuhmaykoosib Inninuwug First Nation (KI)(formerly known as Big Trout Lake First Nation) took the provincial government to court, claiming that the Ontario Mining Act is unconstitutional.

In February, KI blockaded a winter road and prevented Platinex from conducting exploration activities on KI traditional territory. The company sued for \$10 billion and demanded an injunction. KI sought legal advice and asked for an injunction to keep the company off their land, and also sued the Ontario government, saying that mineral staking violated Section 35 on the Canadian Constitution. A hearing on the two injunctions found in favour of the First Nation. The Platinex lawsuit will be heard in 2007.

The Curriculum Project

In February 2006, we posted the “The Mining Controversy: An Awareness and Education Kit” for Ontario Grade 7, published by the Canary Research Institute. The curriculum investigates mining as it relates to aspects of the economy, the environment, and communities.

Prepared by Beth Nicol and Marilyn Crawford, the cross-curricular programme relates to Reading, Geography and Science and contains everything needed to deliver an effective, skill-based unit. It leads students to consider the impact and benefits of resource extraction, to develop their own points of view and to gain skills in organizing materials and thoughts to debate this controversial issue. As noted in the website statistics cited above, this Canary publication has been highly sought-after.

In 2006, the Curriculum was accepted for use in schools by two boards: the Limestone District School Board and the Upper Canada District School Board. The Superintendent of Program Support Services at the latter commented that “the cross-curricular nature of the document makes it a tool that is easily adapted by teachers for use with their students”.

Critiquing tax credits for the mining sector

In October, MiningWatch Canada presented at the Environmental Tax Conference at Ottawa University. During the year, we critiqued the federal government’s renewal of the super flow-through shares program. Investors who purchase shares in qualifying junior mining companies who engage in “grassroots” mineral exploration are eligible for federal and provincial tax credits.

The cost of this subsidy to government is estimated at \$90 million but there has never been an evaluation of the ecological, social and cultural costs of the program to the public. Moreover, there is no recognition of its impact on aboriginal peoples in Canada’s remote rural regions. There are growing conflicts with First Nations and Aboriginal Peoples who demand consultation with governments and land-use planning before any of their traditional territories are allocated to mining.

Launching a Judicial Review of the Red Chris Environmental Assessment

In order to rush the Red Chris Mine in northern BC through the Environmental Assessment process, the Department of Fisheries and Oceans and Natural Resources Canada manoeuvred around a public consulta-

tion required under Section 21 of the Canadian Environmental Assessment Act. In June, the Sierra Legal Defence Fund launched a lawsuit on behalf of MiningWatch Canada asking for a judicial review of the federal government's actions, and asking the Court to prohibit the federal government from issuing any permits for the proposed open-pit copper-gold mine until the EA is re-done.

Red Chris would be built in an area known to Tahltan elders as the Sacred Headwaters. It would turn the confluence of three fish-bearing creeks into a tailings dump. The area is of great spiritual significance: at the headwaters of the Stikene, the Nass, the Skeena and Klappan Rivers. There are at least three other mining projects, a coal-bed methane project, a power line, and a railroad proposal in the planning stages for the area.

Tahltan elders at Iskut, whose concerns are echoed by many environmental groups, have mounted a number of protests to block mining in the Sacred Headwaters.

Preventing Duncan Lake (Amazay or 'Little Mother' in the Tse Keh Nay language) from becoming a tailings dump.

At the request of the Tse Keh Nay people, MiningWatch Canada has been engaged at all stages of the Environmental Assessment for the Kemess North Mine in north-central BC. In 2006, we used participant funding from the Canadian Environmental Assessment Agency to prepare detailed comments and to travel to Smithers for the Joint Panel Review hearings. We argued that the Panel "has no choice but to find that the Kemess North Mine project poses serious environmental effects which cannot be mitigated and that are not justified under the circumstances."

Advocating to stop the MMER amendments - taking lakes for tailings dumps

In October, a number of amendments to the Metal Mining Effluent Regulations under the Fisheries Act became law. Among the amendments was one substantial change: a habitat compensation plan must be prepared and approved before a mine can deposit a deleterious substance, such as tailings, into a Tailings Impoundment Area under the regulations' Schedule 2. As well, the amendment provided for the addition of two water bodies to Schedule 2, approving the use of two fish bearing lakes as tailings dumps by Aur Resources Inc. for its Duck Pond copper-zinc project in the headwaters of the Exploits River system in west-central Newfoundland.

With activists in Newfoundland, Aboriginal organizations, and Canadian Environmental Network members across Canada, we collected information, reviewed the science, and worked with fisheries experts to lead a tough fight to try to prevent these lakes from being destroyed.

Regulating Uranium

Canada is the largest exporter of uranium in the world. Roughly half the world's uranium supply comes from min-

ing; the balance comes from decommissioned nuclear weapons. Uranium and its by-products are chemically and radiologically toxic.

The environmental effects of uranium mining include the contamination of ground water with dissolved metals and radioactive materials, dispersal of radioactive dust, and releases of radioactive gases into the air. When uranium ore is processed, 85% of the radioactivity is left behind in the tailings, and must be managed safely for hundreds of thousands of years.

We provided information and analysis to groups in BC, Quebec, Saskatchewan, Nunavut, and Labrador (including the Nunatsiavut Government) concerned about the impacts of uranium exploration and mining. We researched trucking of ore and supplies over 9.3 km of public road between the McClean Lake mine and Rabbit Lake mill - where a new private road is supposed to be built next year to transfer uranium rich solution (URS) for processing. Until that happens, it is a hazard for Dene communities who use the highway for travel.

We also participated in the Indigenous World Uranium Summit in Navajo territory, and an international workshop on uranium in Laguna-Acoma Pueblo territory in the United States.

Ensuring that smelters are regulated under CEPA

In 2005, we worked with Pollution Probe, the Canadian Environmental Law Association (CELA) and the Save Oak Ridges Moraine (STORM) coalition to prevent the gutting of a pollution prevention ("P2") notice that would force base metal smelters to come up with plans for emission reductions under the Canadian Environmental Protection Act (CEPA).

Under the new government, it appeared last spring that the P2 Notice might be lost. MiningWatch Canada wrote a letter to Environment Minister Ambrose after the March 25th deadline for P2 Notice was missed. The P2 Notice was gazetted on April 29th. INCO subsequently announced a plan to reduce SO₂ emissions in Sudbury.

Working to ban asbestos in Canada

There is a worldwide movement to ban both the mining and use of white (chrysotile) asbestos. France banned its use completely in 1997; the UK banned any new use in 1999. Furthermore, all EU nations were required to implement a prohibition on it by 2005. However, despite piles of reports showing the dangers of white asbestos, Canada continues to mine and export it worldwide.

In May, a conference was organized by the Chrysotile Institute, the International Chrysotile Association, and the International Asbestos Association to present "scientific perspectives". Along with the Occupational Health Clinics for Ontario Workers and three national trade unions, we purchased space in the Hill Times to inform decision-makers that industry claims that "chrysotile asbestos is safe" were not scientifically substantiated.

Dealing with closure and abandonment; making the polluter pay

MiningWatch Canada was instrumental in establishing National Orphaned and Abandoned Mines Initiative (NOAMI). This multi-stakeholder committee was formed to study issues and promote initiatives for the implementation of remediation programs for orphaned or abandoned mines across Canada. In 2006, we helped organize a “Best Practices” conference in Winnipeg. We presented a paper on the history of community involvement with abandoned mines and ensured that 12 environmental and 10 Aboriginal representatives participated in the meeting.

We have also been on the multistakeholder steering committee of the Mine Environment Neutral Drainage (MEND) program since 2003. MEND’s mandate is to identify research needs related to the identification, prevention, and treatment of Acid Mine Drainage and metal leaching, and to support related technology transfer.

In April 2006, we learned through the Ontario Freedom of Information and Privacy Act that Inco and Falconbridge, the two mining companies in Ontario with the largest environmental footprint, have been allowed to “self-assure” their mining operations against closure. The companies themselves estimate the cost of that clean-up at over \$585 million. We called for the public and the communities that create enormous wealth for such companies to be better protected against the day when the boom is over and the price of metals plummets.

Advocating for the regulation of Canadian mining companies overseas

International issues gained greater profile during 2006 as civil society engaged the federal government directly on accountability for the overseas activities of Canadian mining companies. The “National Roundtables on Corporate Social Responsibility and the Extractive Sector in Developing Countries” were hosted by a government Steering Committee of nine government departments headed up by Foreign Affairs Canada, and involved industry and civil society representatives in an Advisory Group. MiningWatch Canada’s Catherine Coumans was a member of the Advisory group.

The Roundtables held sessions in Vancouver, Toronto, Calgary, and Montreal, and in each city heard from members of the public, most of whom spoke strongly of the need for the federal government to more effectively hold Canadian companies to high environmental and human rights standards when they operate abroad. We also worked to help bring our partners and experts from various parts of the world to participate.

We also helped set up the Canadian Network on Corporate Accountability (CNCA). The CNCA carried out research projects in support of the Roundtables work.

The Roundtables have heightened awareness and improved public education on the environmental and social transgressions of Canadian mining companies oper-

ating overseas, and the lack of government control. The process has received high-level international attention from foreign governments and the United Nations.

Stopping Barrick Gold’s Pascua Lama mine in Chile

Barrick Gold’s proposed open pit gold mine in the peaks of the Andean cordillera is being strenuously opposed by farmers and indigenous Diaguita people in the area as well as by environmental groups because of the threat posed to water supplies on both sides of the continental divide. Throughout 2006, MiningWatch worked with colleagues in Chile and Argentina to stop Barrick’s Pascua Lama project on the Chile/Argentina border.

Despite the permits and approvals that have been granted by the Chilean government, progress is held up by various legal appeals.

Telling the world about killings at the Porgera mine in Papua New Guinea

Placer Dome’s public acknowledgement that security guards at its Porgera Mine in Papua New Guinea had, over several years, killed 9 villagers for trespassing on mine property (our partners estimate that there were not 9, but 22 deaths), brought increased international attention to this issue. Our news release and background information led to an in-depth article in the Ottawa Citizen; CorpWatch sending a cameraman to the area; and an examination of legal options with a partner organization in Australia and a Harvard legal clinic.

Protecting human rights in Guatemala from the impacts of mining

Popular opposition to transnational - primarily Canadian - mining operations in Guatemala is very strong. Glamis Gold’s Marlin mine and Skye Resources’ Fénix project were both constantly in the news as peasant communities and environmental groups protested their environmental and socio-economic impacts.

We coordinated with Guatemalan organisations and solidarity groups to bring attention to these issues. We participated in an “all-of-government” meeting with the new Canadian Ambassador to Guatemala and about 2 dozen other senior officials from 9 departments and agencies. Canadian officials acknowledged that protecting human rights had to take precedence over promoting investment. We provided factual information to investors about these mines. We helped tour Juan Tema (a community leader from Sipacapa, Guatemala) and Rights Action’s Sandra Cuffe, and arranged for them to meet with representatives from indigenous communities in northern Ontario. We also circulated several open letters and urgent actions.

Human Rights Impact Assessment of the TVI project

We contributed to development of a methodology by Rights & Democracy (R&D) for carrying out Human Rights Impact Assessments (HRIAs), and to the preparation of one of four case studies (on Canadian company

TVI Pacific in the Philippines) with support from sister organizations. We also obtained information through Access to Information on the role the Canadian government has played in supporting on TVI Pacific's operations. In September, we took part in R&D's workshop on the HRIA process in South Africa.

Stopping the exploitation of the Democratic Republic of Congo (DRC)

Canadian companies have been repeatedly implicated in human rights abuses and the ongoing pillage of mineral resources (copper, cobalt, gold, diamonds) from the DRC since the dying days of the Mobutu dictatorship. Mining-Watch Canada has been working with other groups in Canada and internationally to bring these companies to account for their actions, to renegotiate unfair contracts, and to establish reasonable norms for corporate behaviour. MiningWatch Canada collaborates with an ad hoc Congo working group to advocate with the Canadian government on this issue. In 2006, personnel and contractors of Canadian company Anvil Mining were indicted for their role in the Kilwa massacre of 2005.

Stopping Ascendant Copper in Ecuador

Ascendant Copper's proposed Junín project would see the setting up of a huge open-pit mine in the middle of one of the most biodiverse areas in the world: the Intag cloud forest falls into both the Tumbes-Chocó-Magdalena and Tropical Andes hotspots.

In May of 2005, MiningWatch Canada, DECOIN (Defensa y Conservación Ecológica de Intag - Intag Ecological Protection and Conservation Organization), and Friends of the Earth Canada had asked the Canadian government, through the National Contact Point on the OECD Guidelines for Multinational Enterprises, to help end intimidation, manipulation, and violence against communities protesting Ascendant's activities in Junín. In January 2006, the groups felt compelled to withdraw the complaint due to the failure of the Department of International Trade to properly implement the Guidelines' procedural measures. This case was presented at the Foreign Affairs multistakeholder Roundtables in November.

Together with Friends of the Earth, we launched an investor alert, web site, and video, and made information available on public protests against Ascendant and on the investigation being carried out by Ecuador's Commission for the Control of Civic Corruption.

We also circulated urgent actions and wrote letters to Canadian and Ecuadoran authorities regarding Ascendant's attempts to smash the communities' blockade and gain access to its concessions - including the use of paramilitaries - as well as the October raid on the homes of Carlos Zorrilla, Executive Director of DECOIN, and Roberto Castro.

Working with the Kanaks in New Caledonia

The indigenous Kanak people in the communities

directly affected by Inco's Goro mine, and the national Kanak organization Rhéébù Nùù, have for many years called for a halt to ongoing construction in order to engage with Inco in structured negotiations about all aspects of the proposed project. Their position - that fundamental indigenous rights issues are at the root of the conflict - has been supported by the Kanak Customary Senate as well as by many environmental and human rights groups.

In April, MiningWatch Canada's Catherine Coumans travelled to New Caledonia and met with local leaders, members of the International Steering Committee, and local Inco executives. She visited blockades set up by Kanaks, toured both the Goro and Koniambo (Falconbridge) mining sites, and participated in a Kanak-led demonstration against the Inco mine.

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:

Canadian Environmental Network
Canary Research Institute for Mining, Environment and Health
CAW Social Justice Fund
Holly Hill Charitable Trust
Human Resources and Skills Development Canada
International Development Research Centre
Inter Pares
Primates World Relief and Development Fund
Sigrid Rausing Trust
Steelworkers Humanity Fund
Tula Foundation

We had one summer student this year: Kelly Fritsch, a Masters student at Carleton, worked on the web site and background research.

Board of Directors

Board members sit as individuals; organizational references are for information only.

Chair: *Laura Calmwind, Thunder Bay, Ontario - Chiefs of Ontario Political Office*

Treasurer: *Jean Symes, Ottawa, Ontario - Inter Pares*

Secretary: *Marilyn Crawford, Godfrey, Ontario*

Directors:

Florence Catholique, Lutsel K'e, Northwest Territories

Janet Gregoire, Sheshatshiu, Labrador - Innu Nation

Sarah Johnnie, Ross River, Yukon

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

David MacKinnon, Whitehorse, Yukon - Executive

Director, Transboundary Watershed Alliance

Kevin O'Reilly, Yellowknife, Northwest Territories

David Peerla, Thunder Bay, Ontario

Gavin Perryman, Vancouver, BC

Peter Usher, Clayton, Ontario (on leave)



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, 2006 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, 2006 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
January 31, 2007

OHCD LLP.

OUSELEY HANVEY CLIPSHAM DEEP LLP
Chartered Accountants

MININGWATCH CANADA / MINES ALERTE CANADA

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006

	2006	2005
CURRENT ASSETS		
Cash	\$ 54,792	\$ 72,721
Accounts receivable	11,084	2,553
Due from Canary Research Institute (note 3)	34,909	43,342
Due from Mining Watch US (note 3)	28,517	(3,636)
Prepaid expenses	1,385	3,014
	<u>\$ 130,687</u>	<u>\$ 117,994</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 15,441	\$ 29,159
Deferred revenue (note 2)	-	5,000
	<u>15,441</u>	<u>34,159</u>

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

NET ASSETS

CONTINGENCY FUND

Balance - beginning of year	\$ -	\$ -
Transfer from unrestricted net assets (note 4)	50,000	-
Balance - end of year	<u>\$ 50,000</u>	<u>\$ -</u>

UNRESTRICTED NET ASSETS

Balance - beginning of year	\$ 83,835	\$ 47,579
Excess of revenue over expense for the year	31,411	36,256
Transfer to contingency fund (note 4)	(50,000)	-
Balance - end of year	<u>\$ 65,246</u>	<u>\$ 83,835</u>

STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDING DECEMBER 31, 2006

	2006	2005
REVENUE		
Grants	\$ 73,514	\$ 126,924
Program generated (note 3)	350,576	298,224
Foundation grants	56,267	64,856
Memberships, interest and other	16,881	11,315
	<u>497,238</u>	<u>501,319</u>
EXPENDITURE		
Council meeting coordination	35,151	21,088
Conferences and meetings	27,574	20,214
Technical support	48,598	39,992
Publicity and publications	21,961	13,107
International program	78,504	114,042
Domestic program	179,405	172,380
Operating	13,352	20,450
Office and administration	61,282	63,790
	<u>465,827</u>	<u>465,063</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	<u>\$ 31,411</u>	<u>\$ 36,256</u>

MININGWATCH CANADA / MINES ALERTE CANADA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Mining Watch 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.

(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 (2005 - \$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 the year \$182,606 (2005 - \$233,912) of MiningWatch Canada's program generated revenue was from Canary. As at December 31, 2006 there is an amount due from Canary of \$34,909 (2005 - \$43,342).

Canary has not been consolidated in these financial statements. The following is a summary of the financial position of Canary as at December 31, 2006 and the results of operations for the period then ended.

	2006	2005
Canary		
Total assets	\$ 86,922	\$ 38,223
Total liabilities	85,809	44,242
Deficit	\$ (1,113)	\$ (6,019)
Total revenue	\$ 200,048	\$ 263,833
Total expense	192,916	263,220
Excess (deficiency) of revenue over expense for the year	\$ 7,132	\$ (613)

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 the year \$31,554 (2005 - \$38,780) of Mining Watch Canada's program generated revenue was from MiningWatch US. As at December 31, 2006, there is an amount due to Mining Watch US of \$28,517 (2005 - \$3,636)

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, 2006 and the results of operations for the year then ended.

	2006	2005
MiningWatch US		
Total assets	\$ 35,268	\$ 7,101
Total liabilities	29,267	7,235
Deficit	\$ (6,001)	\$ (134)
Total revenue	\$ 37,296	\$ 43,651
Total expense	31,161	43,785
Excess of revenue over expense for the year	\$ (6,135)	\$ (134)

4. CONTINGENCY FUND

During the 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 \$50,000 to this fund.

5. 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.